

Charting a New Path for Success

Report of the City of San Diego Citizens Revenue Review and Economic Competitiveness Commission



**Submitted to the Mayor and City Council
December 1, 2010**

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TABLE OF CONTENTS

SUMMARY OF FINDINGS AND RECOMMENDATIONS

ii

Foreword	ii
Competitiveness Strategy	iii
Revenue Strategy	iv
Revenue Audit	v

I. Commission background and purpose

I

A very brief history of City finance	I
About the Commission	2
Commissioners	2
Fact-finding and deliberations	2

II. How residents feel about San Diego

3

Overall Views of the City of San Diego	3
Evaluating City Services	4
Spending Priorities	4
Residents Opinions on Strategies to Deal with the Budget Deficit	5
Commission observations and recommendations	6

III. Improving San Diego's competitiveness

7

Overview of the San Diego economy and workforce	7
Employment and Wages	8
Major industry clusters	10
Critical strategies for a competitive San Diego economy	11
Conclusions and recommendations on economic competitiveness	16

IV. City Revenues

19

Limitations of the Commission's study	19
The structural budget deficit	19
City leadership responds to the budget crisis	20
Sizing up the Challenge	21
Existing sources of City revenue	22
Private contracts for City services	23
Corporate sponsorships	24
How we compare	24
User fees	25
Taxes	28
Conclusions and recommendations for revenues	33

IV. Revenue Audit

36

Property Taxes	36
The Teeter Plan – an option for property tax revenue	37
TOT and hotel audits	38
Findings and recommendations regarding the Revenue Audit	38

A complete record of reports, documents, minutes, and other information is at www.sandiego.gov/crrecc.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Foreword

“Charting a new path for success,” proposes a new strategic focus for economic competitiveness and a more realistic and appropriate future level of revenue for the City of San Diego.

San Diego has done much during the past century to build a competitive environment. In the current era, the City seems to have a strategy, where it competes for business by reducing government expenditures, as well as avoiding taxes and fees common in other peer cities in California. However, a strategy of being the lowest cost place to do business may not be possible for San Diego. Costs beyond the control of the City -- energy, water, transportation, and housing -- may never enable San Diego to be a low cost leader.

One of the greatest challenges faced by a business organization is being *stuck in the middle* -- not strong enough in any area to differentiate itself from its competitors. San Diego has largely avoided this due to the dynamism of its diverse core industries. But unless the City focuses on being the best place for employees to work and for tourists to travel, it can lose its competitive edge.

The City’s low taxes and fees have come at a price. Despite eliminating 1414 City jobs since 2007, San Diego faces a budget gap estimated to be at least \$73 million for the fiscal year beginning July 1, 2011. The City needs to achieve economies wherever it can without abandoning the service quality residents, businesses, and visitors expect. The General Fund should no longer be used to subsidize services funded through user fees in most or all other cities. The budget gap may also mean the City should consider bringing its relatively low business taxes more in line with peer cities in California.

Important lessons can be harvested from the quandary most municipal (and state) governments now face. Chief among the lessons is that governments should avoid binding future commitments that exceed resources that can reasonably be expected in a moribund economy. Instead, any such unexpected resources should be used to build reserves, reduce debt, or maintain and improve the City’s infrastructure.

While most major revenue strategies require consent of a majority of voters or property owners, this is not true for many competitiveness recommendations. These can often be implemented through a shift of priorities by City government. However, unless new revenues are generated along with many of the proposed competitiveness tactics, it is a zero sum game: something else must be sacrificed to enable the activity.

Based on a reliable survey of residents, the two highest points of consensus were that (1) the City should use more private contractors to provide services when costs can be lower and service levels maintained, and by a similar margin, (2) residents do not want to see any further reductions or elimination of City services. Fees are more popular than taxes as a way of providing more revenue. Citizens, as such, see a balanced approach to the correction of the City’s financial problem.

Competitiveness Strategy

Recommendation: *Adopt a strategy that builds on San Diego's existing strengths, differentiating San Diego as the best place to do business because it is a creative community with environmental, recreational, and cultural amenities for employees, high quality community services, an increasingly capable workforce, and a sustainable economy.*

San Diego has diverse and robust industries attracting jobs at every income level and is outperforming the state in employment and business retention. No signs indicate that businesses or workers will stop coming to San Diego in the near future, despite cost or other factors. The best thing that the City can do for the competitiveness of San Diego's economy is to build upon the conditions that have historically attracted industry, employees, and tourism.

Public and private universities, private research institutions, climate, recreational and cultural amenities, cultural diversity, and low crime rates have contributed to the attraction and retention of high-value workers and the companies that seek to employ them. San Diego has proven it can develop healthy industries with a sustainable future. Research and technology fields are constantly innovating. Products such as pharmaceuticals, computer software and mobile phones will continue to provide a strong economic base.

San Diego's various industries have different needs, and they should not be seen as competing for public support. The City can support research and technology clusters by ensuring reliable and affordable power and water supplies, and by helping to build a high-skill workforce. The hospitality industry is concentrated in various areas throughout the City, where residents and tourists are provided with several amenities. The City's strong defense industry grows or shrinks depending on federal defense spending priorities, largely unaffected by domestic economic cycles. This combination of place-based attractions, federally supported industry, and entrepreneurial growth in the technology sector makes San Diego a highly competitive city.

Some companies select a city because it offers a place where the founder, CEO, or critical employees can enjoy a high quality of life outside the workplace. The decision by a handful of exceptionally talented individuals to make San Diego home has incubated an explosion of research and technology. San Diego should always aspire to be a city where the most talented individuals in the country and world choose to live.

Local taxes and fees play a largely insignificant role in keeping or attracting new businesses. San Diego historically offered a low-cost strategy in government services: a model of efficiency, with fewer police officers, fire fighters and other city employees per capita when compared to peer cities¹. San Diego has resisted higher taxation and strived to keep business costs down for environmental services such as storm water abatement. Almost without exception, San Diego taxes and fees are markedly lower than peer cities in the state. However, how business-related taxes are used is significant. Higher business taxes and fees can improve economic competitiveness when the funds are used for specific public services such as public safety, community improvements like street maintenance, community services such as parks, libraries, and community centers, and business development programs.

Top competitiveness priorities

- Maintain public safety services, streets and highways, parks, libraries, beaches, bays, and other community amenities in a manner that continues to attract high skill workers who will bring their careers and their families to San Diego.
- Significantly improving storm water runoff programs to protect and improve water quality in bays and at beaches to achieve or exceed State and Federal water quality standards and goals.
- Encourage the City's eight members of the County Water Authority to vigorously support regional water supply solutions including desalination, storage and indirect portable reuse.
- Support development of additional electric energy supply, especially sustainable sources including solar, wind, and other alternatives to carbon-based production.
- Finance a program to coordinate unpaid internships as part of the regular school curriculum, enabling high school students to attend internship jobs that are directly related to curriculum during the regular school week.
- Adopt policies that promote broadband Internet access that is citywide, affordable and fast. Give special focus to ensuring home internet access for disadvantaged students.
- Implement a "cradle to permit" project management model with a single project manager having control and authority of the project schedule and process from start to finish, including reviews by outside departments.
- City forms, permit applications, fee payments, etc. on an interactive website that is available to users 24/7.
- Provide planning grants and seek state and federal funds for redevelopment agencies or community-based organizations to inform the Economic Prosperity Element in the Community Plan Updates, particularly in underserved neighborhoods.

Revenue Strategy

Recommendations:

1. *Adopt a strategy that maximizes cost reductions through managed competition and other reforms and economies that do not degrade City services.*
2. *To reduce subsidies from the General Fund, the City should first seek user fees to fully recover ongoing costs for specific services.*
3. *If fees alone prove insufficient to maintain quality City services, the City should seek taxes that are broadly based, rather than specific to one industry.*

Key to solving the City's financial woes is accepting that the City has created a structural budget deficit. This means the City's binding obligations for future expenses will exceed the revenues it will collect unless it makes major service cuts, implements reforms, or increases revenues. The \$73 million deficit projected for FY 2012 cannot be resolved through privatization alone. (FY refers to a Fiscal Year, from July 1 through June 30 of the following year.)

While many residents do not favor either new fees or new taxes, 70 percent are opposed to further reductions to city services. Given the alternatives of fees or taxes, more residents favor increased fees. However, the processes needed to enact substantial fee increases cannot conclude soon enough to meet the FY 2012 deficit. Recognizing the timing problem, and the structural deficit facing the City over the next several years, the Council placed Proposition D on the November 2010 ballot, a proposed five-year 1/2-cent sales tax increase tied to a series of spending reforms.

With rejection of Proposition D by the voters, the City appears to have few tools to resolve the \$73 estimated gap between expenses and revenues beginning July 1, 2011. Beyond this short-term revenue crisis for the FY 2012 budget, the City's long-term strategy should be to implement significant

and lasting reforms. Over time, these reforms may eliminate much of the structural budget deficit, but they also may reduce the quality and availability of important city services.

Where high quality services can be delivered to residents while meeting the standards of the Managed Competition Ordinance and Guidebook, the City should seek savings through managed competition.

If cost savings can be demonstrated, the City should further explore the granting of concessions, leases, or similar mechanisms to private parties to operate the Miramar Landfill, the City's general aviation airports, and golf courses, with the City retaining ownership of the land. Proposals for the landfill are already underway. The Commission encourages prompt action on the other properties.

The City should explore the further use of marketing sponsorships and impacts of related changes to City outdoor advertising ordinances and policies.

To restore service levels and investments in the future, the City should seek to fully recover ongoing costs for specific services through related fees. Top fee priorities should be:

Eliminating the ban on residential trash collection fees as soon as possible should be the City's top revenue priority. Continue free collection of recyclable and green waste to help reduce landfill costs. Use a fee system for trash removal tied to the size of waste containers used. This would generate about \$34 million per year now taken from the General Fund. It is unlikely revenue from this source can be realized before FY 2014 unless there is a special election in 2011. The City should expedite a Cost of Service Study for Residential Trash collection immediately.

Recovering current and future storm water costs through a new and substantially larger fee structure should be a major priority. Increased storm water fees could relieve subsidy from the General Fund of about \$31.2 million now paid to supplement the Storm Water Fee. Depending on what environmental mandates the City must ultimately meet from Federal and State regulators, future costs may become more than \$50 million per year. It is unlikely that revenue from storm water fees can be realized until FY 2014 unless there is a special mail ballot election of property owners in 2011. The City should expedite a prompt conclusion of the long delayed Cost of Service Study for storm water fees.

If reforms and fees prove insufficient to maintain the level of services that residents want, then the City should consider taxes that are broadly based. If new taxes are sought, the City should look first to taxes that are grossly disparate in San Diego compared to peer cities in California.

New revenues from fees cannot be received soon enough to meet the FY 2012 budget deficit. The City could seek another kind of tax increase early in 2011.

If a special election is held, the commission recommends the following two sources of revenues for a voter's approval as soon as practical². Increasing the business license tax and reconfiguring the tax basis to be on gross receipts, instead of number of employees, and a commercial parking tax on fees collected by commercial parking lots warrant special attention by policymakers.

Revenue Audit

The Commission was tasked with review of a Revenue Audit conducted by the Independent Auditor. This audit focused on the largest of the City's revenue sources: property tax, sales tax, and transient occupancy tax (TOT).

The audit was professionally presented. Both the Office of the Independent Auditor and the Chief Financial Officer reviewed findings and issues with the Commission and Commissioners pursued

several lines of inquiry based on the report.

To the extent the audit identified deficiencies in City systems, procedures, or oversight, the appropriate offices are implementing all or nearly all of the Auditor recommendations. There is room for honest disagreement about which City office should conduct some functions. Either method would be acceptable under standards of the U.S. Government Accountability Office. Performance of this function by either office it does it does not impact public policy or integrity of the auditing process.

While a few hotels were not audited within the three year time frame required by City Ordinance, those audited included nearly all city TOT revenues, included hotels with any prior compliance issues, as well as all high revenue hotels. The Commission is satisfied that any delay resulted from staff turnover and mandatory leave. The CFO is committed to ensuring 100 percent completion of future TOT audits within three years in the future.

Teeter Plan

An alternative method for allocating property taxes to the City is the Teeter method. The plan allows counties to allocate 100 percent of property taxes *billed* rather than property taxes *collected*. The county collects all future delinquent tax payments, penalties, and interest and distributes them to the Tax Losses Reserve Fund set up by the county. San Diego County adopted the Teeter Plan in 1993, with the cities of Coronado, National City, and Vista opting to participate. Because cities received 100 percent of property taxes billed rather than collected, the Teeter method promotes stable and reliable property tax revenues. The City Auditor estimated that had the City been a part of the Teeter Plan for fiscal years 2007 through 2009, the City would have received an additional \$6.39 million in property tax revenue. The City Auditor recommended that the City's Financial Management Department evaluate the benefits of joining the Teeter Plan, and unless there was compelling information to suggest otherwise, the City should take appropriate steps to become part of the plan.

Upon analysis by the Chief Financial Officer, it appears there would be a net loss to the City over time, despite a one-time cash infusion. The City Auditor believes the CFO's analysis requires further evaluation to determine if the CFO's conclusion that the Teeter Plan is not financially beneficial is justified and supported by fact. The Commission recommends that the CFO and the City Auditor collaborate to conclusively determine which option of property tax collection is in the best financial interest of the City.

Sales Tax Collections

Using a private outside contractor is yielding a return on investment of 14 dollars paid to the City treasury for each dollar paid to the vendor. The Commission recommends continued use of an outside vendor for to ensure the appropriate allocation of sales taxes, rather than performing the function in house.

I. Commission background and purpose

Since 2003, some efforts have been underway to reduce expenses. In June 2009, the City Council and Mayor enacted several spending reforms. These reforms came after many years of financial instability for City government. Destabilizing factors included the City's inability to generate its retiree health care obligations in bond offering statements to investors, and incoherent information about the actual City workforce.

The City corrected its records under the supervision of a Monitor required by the Securities and Exchange Commission, and a more accurate understanding of the City's true finances emerged. It became increasingly apparent that the City's financial obligations to employee retirement benefits have been underfunded for many years.

A very brief history of City finance

At the urging of City management, city councils and mayors from 1996 to 2002 expanded irrevocable retirement benefits. This bound the City to escalating expenses long into the future. Despite certainty that retirement and health care expenses would increase over time, no plans were made to increase revenues to offset these obligations.

San Diego's pension and health care obligations are similar to many other cities. Where San Diego went seriously adrift, was by failing to ensure that employee retirement benefits were being properly funded. Instead, the City used funds for current demands while increasing debt and depleting reserves.

San Diego's woes are exacerbated by a long history of collecting less taxes and user fees than comparable California cities. In fact, there have been no taxes added or tax rates increased since 1994.

An aversion to collecting revenue from residents and businesses is not a new phenomenon in San Diego. Unlike most other cities in California, San Diego has charged no fees or taxes for residential trash collection since 1919. This resulted in a 90 year drain on the City's General Fund, estimated at \$34 to \$49 million per year in current dollars³.

Despite a robust economy through late 2008, the City's financial obligations continued to exceed its revenue. Higher benefit costs combined with unchanged tax rates and no new revenue sources accomplished the inevitable outcome of a chronic budgetary gap hard-wired into the system: a structural budget deficit that defies economic cycles.

With the global economic recession in 2009, the City's underlying financial problems grew. Through a combination of austerity measures and one-time revenue and resource enhancements, the City Council and Mayor produced a balanced budget through the end of the 2011 Fiscal Year. Declining revenues, ballooning retirement obligations and other factors foretell a major budgetary gap beginning in July 2011. Closing the gap through one-time measures will only exacerbate the problem. The city will either increase revenues by July 2011 and make significant reforms or undergo a major reduction in municipal services.

As part of their continuing financial reform effort, in September 2009 the City Council and Mayor created the Citizens Revenue Review and Economic Competitiveness Commission (CRRECC) under supervision of the City Council Budget and Finance Committee.

About the Commission

A City Commission is different than a task force. The members are sworn by oath to perform their services and they have a specific charge and responsibility. CRRECC was tasked with recommending strategies to the Mayor and City Council to improve economic competitiveness and explore ways that might help fund core City services including neighborhood infrastructure improvements, libraries, park and recreation, and public safety services.

City revenues can be directly affected by action of the Council combined with voter approval; economic competitiveness is a more complex, subtle, and mostly regional challenge. Many high impact competitiveness factors are beyond the control of city government.

CRRECC was not tasked with review of spending issues; however, repeated inquiries from the public warranted some review of spending in the context of the structural budget deficit.

Economic competitiveness is defined by Council Resolution “to retain existing businesses, attract new businesses and develop businesses in San Diego.”

Commissioners

The City Council nominated and unanimously confirmed the Commissioners. Commission members included university professors with expertise in business management, labor relations, and economics; executives for non-governmental organizations dedicated to community improvement and medical research; business owners; and a business attorney.

With a spectrum of backgrounds and expertise, each Commissioner brought a different view of the world as it relates to public policy. As with other democratic bodies, given the same facts, various Commissioners sometimes reached different conclusions. To the extent possible, this report represents the consensus -- but not necessarily unanimous -- views of its members.

Fact-finding and deliberations

Though some members of the Commission are experts in certain aspects of the topics studied, it relied mostly on presentations from subject experts, sometimes with conflicting points of view. These included representatives of many industries, labor, government administration and finance, academics, non-governmental environmental and social improvement organizations, and members of the general public. Information provided by these persons, some additional follow-up study and meetings with experts, and the life experiences of the various Commissioners all served to inform its deliberations and this report.

The Commission had an organizational meeting in December 2009 and began a regular series of public meetings in January 2010, each two to four hours in length. About 40 hours of public testimony, presentations, and deliberations were conducted both at City Hall and in neighborhoods from Lincoln Park to University City, Point Loma to Allied Gardens.

The Commission reached out broadly, seeking ideas to make San Diego more competitive and examining various revenue options. Ideas were offered to the Commission by various interest groups, members of the general public, and by members of the Commission.

These groups and individual citizens made several suggestions in the areas of infrastructure development, protection of natural resources, regulatory reform, and city finance. These ideas were reviewed with members of the public in a series of community meetings.

This report is the cumulative product of that work.

II. How residents feel about San Diego

The City Council and Mayor created the Commission to provide new perspectives on revenue and competitiveness. This mandate included consultation with residents of San Diego both through formal research and through community meetings. The Commission reviewed and collaborated with the Office of the Independent Budget Analyst on the design of an independently conducted, statistically reliable survey of 600 San Diego residents. The Commission also met directly with residents in public meetings in five council districts.

Overall Views of the City of San Diego

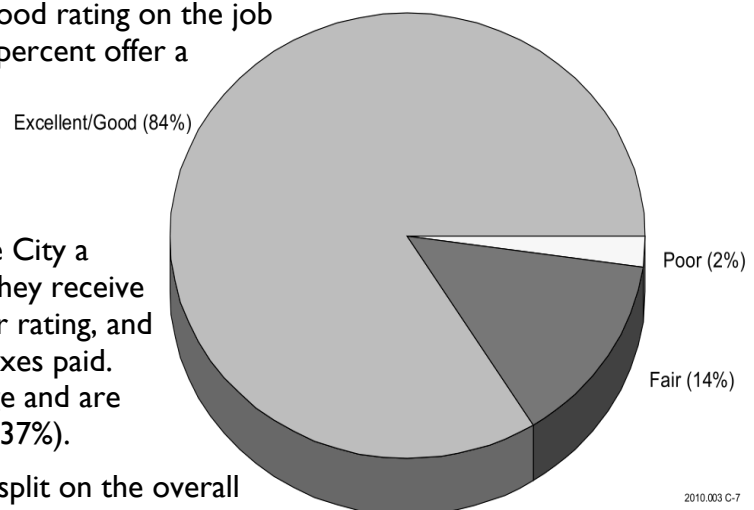
The City of San Diego's reputation as America's Finest City is reflected in the opinions of its residents. Ninety-seven percent of residents agree that San Diego is a good place to live. Eighty-eight percent indicate that they are likely to either recommend San Diego as a place to live or to remain in San Diego for the next five years. Residents rate the quality of life very highly, with 84 percent indicating it is excellent or good; in contrast, only 16 percent rate the quality of life as fair or poor.

Residents were generally satisfied with the City's service delivery and the value they receive for the taxes paid. Slight majorities offer an excellent or good rating on the job the City does delivering services. Thirty-six percent offer a fair rating and ten percent a poor rating. These figures are relatively consistent across population subgroups such as gender and age.

Less than a majority of residents give the City a positive rating for the value of the services they receive for the taxes they pay; 34 percent offer a fair rating, and 18 percent say there is poor value for the taxes paid. The positive ratings tend to increase with age and are higher among whites (53%) than minorities (37%).

However, residents were almost evenly split on the overall direction the City is taking and the job the City does listening to its citizens. Nearly equal volumes of residents offer positive (32%) and negative (27%) ratings regarding the overall direction the City is taking. An additional third of residents offer only a fair rating. Only 28 percent offer a positive rating on the job the City does listening to residents, while 25 percent offer a negative rating and 40 percent a fair rating. These results are consistent across subgroups, such as ethnicity, gender and age. An overwhelming majority of residents express a positive attitude about public safety. Ninety percent rate the safety in their neighborhood in positive terms while 85 percent rate the safety in the City as a whole in positive terms.

QUALITY OF LIFE IN SAN DIEGO



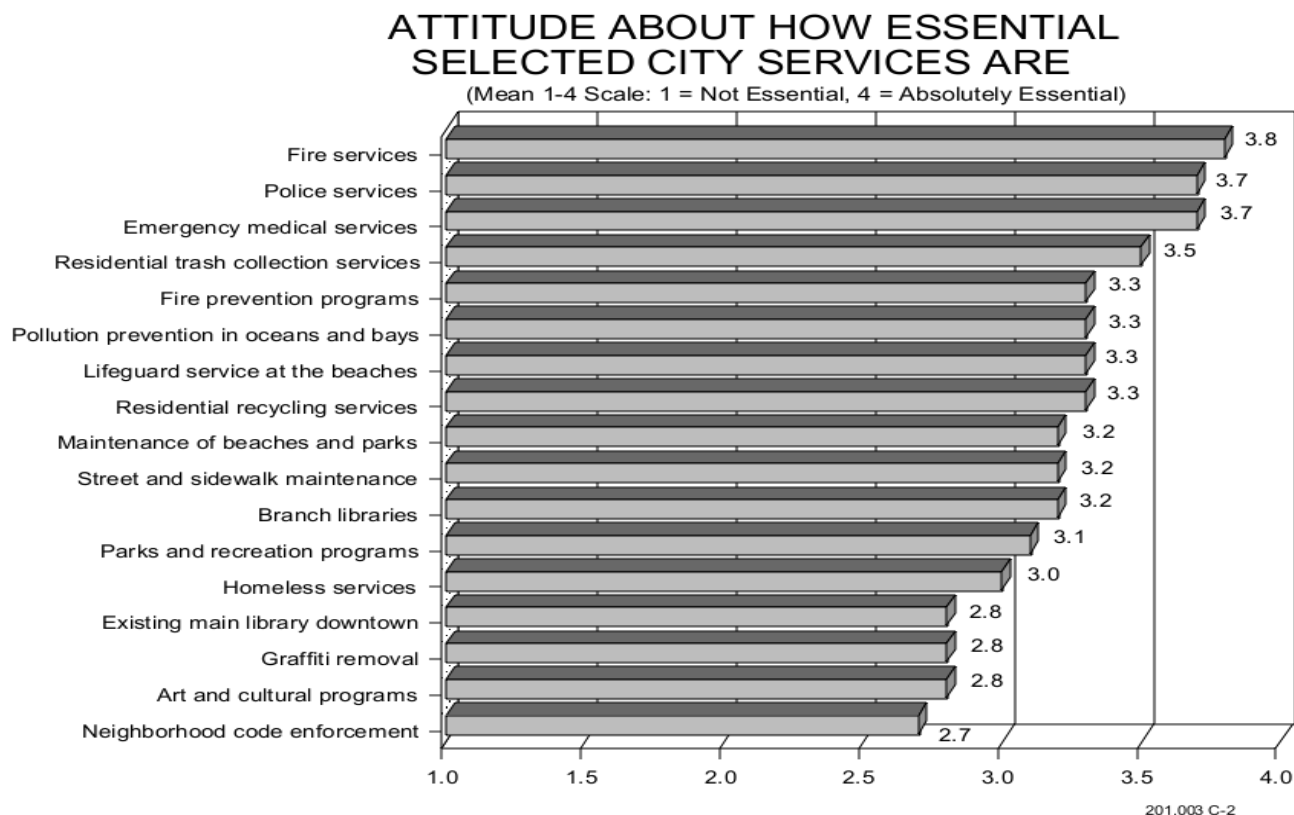
Evaluating City Services

Residents were asked how *essential* they feel each of 25 City services are on a scale of not essential to absolutely essential.

Fire and police services scored almost universally as essential. Other services that received high scores as essential were emergency medical services, residential trash collection services, and fire prevention programs. Among the lowest scores for essential services were: neighborhood code

enforcement, art and cultural programs, and graffiti removal. Based on community meetings held by the Commission throughout the city, it was noted that some neighborhoods may have higher levels of concern about neighborhood code enforcement, and this may reflect an underlying concern not evident on this metric alone.

Residents were then asked to reveal their level of *satisfaction* with each of 25 services provided by the City. Services with the highest level of satisfaction included trash collection, fire department response, recycling collection, beach lifeguards, parking availability in their neighborhood, programs at



branch libraries, and maintenance of parks.

Another cluster of services received a somewhat positive evaluation. Among this cluster were: police response to calls for service, programs at recreational centers, programs at the existing main library downtown, cleanliness of beaches, arts and cultural programs, service hours at branch libraries and the main library downtown, tree maintenance on public property, recreation center service hours, frequency of street sweeping, efforts to eliminate graffiti, branch library service hours, flood control efforts, parking enforcement efforts, street lighting, and conditions of neighborhood sidewalks.

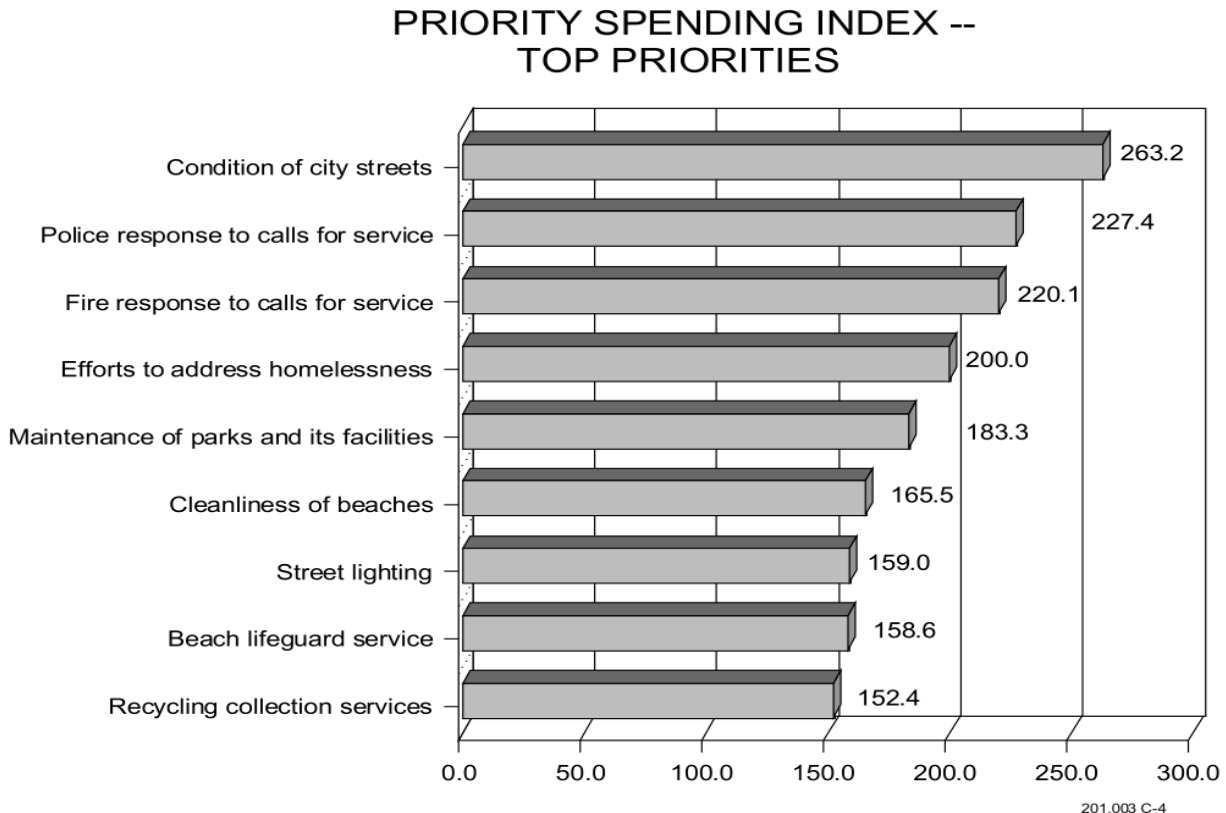
Three services received a low level of satisfaction: efforts to address homelessness, condition of City streets, and downtown parking availability.

Spending Priorities

Residents rated the same 25 services areas as to whether they would or would not be willing to pay more for each service through taxes or fees to maintain service levels or avoid further service cuts. This information was then correlated with the service satisfaction ratings to create a Priority Spending Index⁴, which affords higher spending priority to those services that received lower

satisfaction ratings. Nine service areas receive high Priority Spending Index scores: condition of city streets, police response to calls for service, fire response to calls for service, efforts to address homelessness, maintenance of parks and its facilities, cleanliness of beaches, street lighting, beach lifeguards, and recycling collection.

Five service areas received very low Priority Spending scores: service hours at existing main library



downtown (85), programs at existing main library downtown (84.4), frequency of street sweeping (78.8), parking enforcement efforts (73.4), and parking availability in their neighborhood (69.3).

Residents Opinions on Strategies to Deal with the Budget Deficit

Residents were asked if they approve or disapprove of each of six strategies to deal with the City's budget deficit. A strong majority of residents approve of a strategy to use more private contractors to provide city services and to implement managed competition. Two additional strategies also received approval from a majority of residents, but also generate significant disapproval: generate new revenue through increased fees to help avoid service reductions, and using a combination of new revenues and service cuts to resolve the budget deficit.

Each of the three remaining strategies receive disapproval readings that are nearly equal to or exceed their approval readings: further reductions to City employee salaries and benefits (48% approve/47% disapprove), generate new revenue through increased taxes to help avoid service reductions (46% approve/50% disapprove), and eliminate or further reduce City services (26% approve/70% disapprove).

Commission observations and recommendations:

The opinion survey was a valuable tool for the Commission. Its content was appropriate and relevant; the questionnaire was constructed without bias; and the methodology of the sampling and interviewing was scientifically sound, producing actionable information for policy makers. The Office of the Independent Budget Analyst and Behavior Research Center are commended for the study.

The City Council and Mayor should consider these points as they weigh the City's options for the years ahead:

- San Diegans like their City and want it maintained as a good place to live.
- Residents are less confident that their money is being spent well or that City leaders are listening to their views.
- A large majority does not want to see further service reductions or elimination of city services.
- The top priority services to maintain are the condition of city streets, police response to calls for service, police and fire department response to calls for service, efforts to address homelessness, maintenance of parks and their facilities, cleanliness of beaches, street lighting, beach lifeguards, and recycling.
- Most favored strategies for the budget deficit are to transfer some services to private contractors, and a balanced approach of increasing some revenues while reducing some services.
- Fees are more popular than taxes as a way to generate more revenue.

III. Improving San Diego's competitiveness

CRRECC studied how the City might use its resources to encourage companies to locate, remain, or expand in San Diego. As a starting point, the Commission reviewed major economic forces impacting the city.

Overview of the San Diego economy and workforce

San Diego is already a strong competitor. The City is the core of the 16th largest economic region in America. The local economy is outperforming statewide averages based on several criteria:

Economic Growth: The Gross Regional Product in 2008 was nearly \$170 billion, a 52 percent increase since 2001. During that same period, California's gross annual product grew by 42 percent⁵.

Employment Stability: While unemployment is high at 10.6 percent, this compares favorably to statewide unemployment at 12.4 percent⁶. California generally holds it's own in attracting jobs. During the period 1992-2004, California's net job migration was a loss of 10,000 jobs from an economy that averaged 17 million jobs over the period. The San Diego region fared better, experiencing a net gain of jobs compared to other regions of the state⁷.

Diversity and Resilience:

San Diego is home to a diverse mixture of highly competitive industries whose stability or growth appears equal or superior to most California cities. Despite tough times, San Diego has a stable workforce relative to the rest of the state⁸. Using payroll as a measure, the services sector is the largest part of the local economy. Manufacturing, finance and insurance, construction and information technology are the largest non-service sectors⁹.

San Diego has a successful legacy in higher education, military readiness, tourism, economic development, and redevelopment.

- In the early 1960's Torrey Pines Mesa was designated for scientific research and development. It now generates \$9 billion in annual economic output.
- Local military and supporting industries account for nearly \$25 billion in regional economic impact.
- Tourism represents about 11 percent of the regional economy and private sector employment. About 164,000 San Diegans realize nearly \$3 billion in household income from tourism.
- Redevelopment has turned downtown into a thriving civic, commercial, and residential center and a generator of tax revenues of over \$60 million a year into the City's General Fund¹⁰.

San Diego Regional Payroll Share by Industry

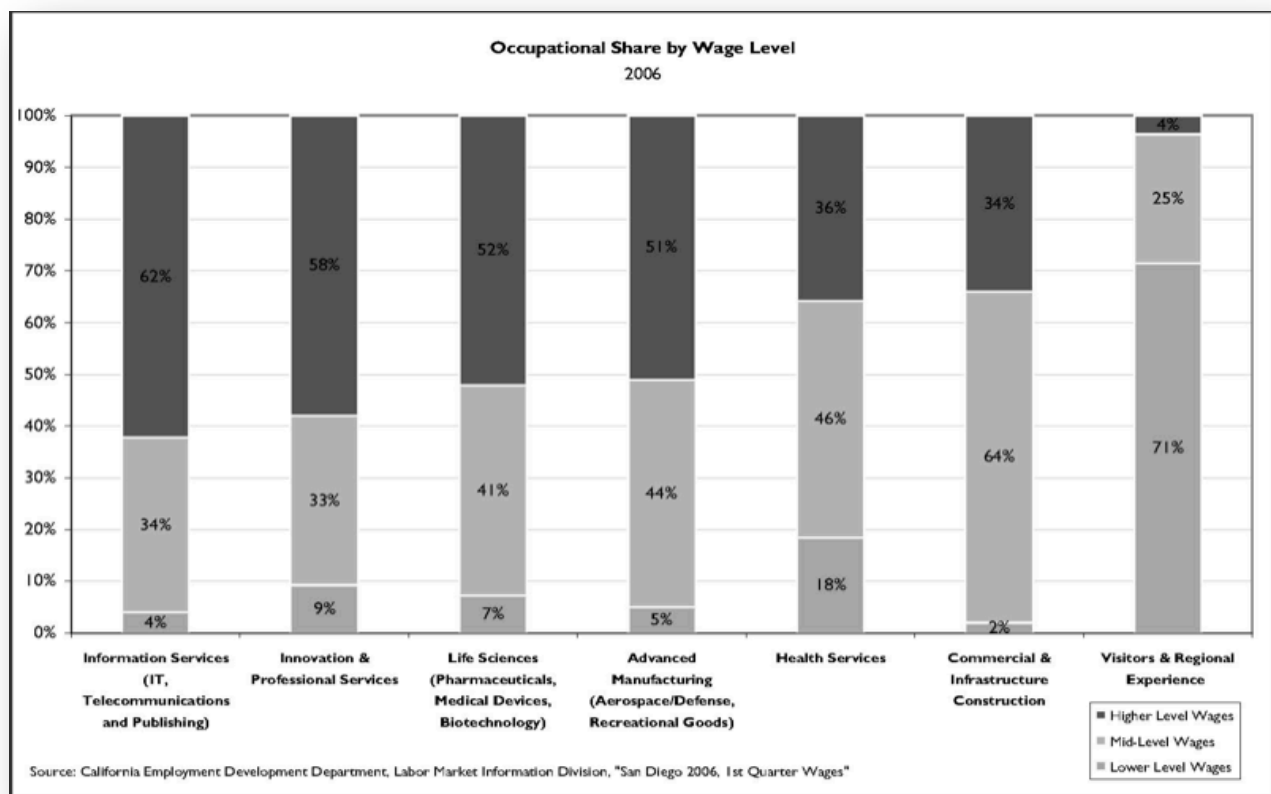


Employment and Wages

According to a 2007 report, “San Diego's economy caught fire during the 1990s and has stayed hot ever since. The area's per capita income has soared 72 percent since 1995, a pace unmatched by any other major metropolitan area¹¹.”

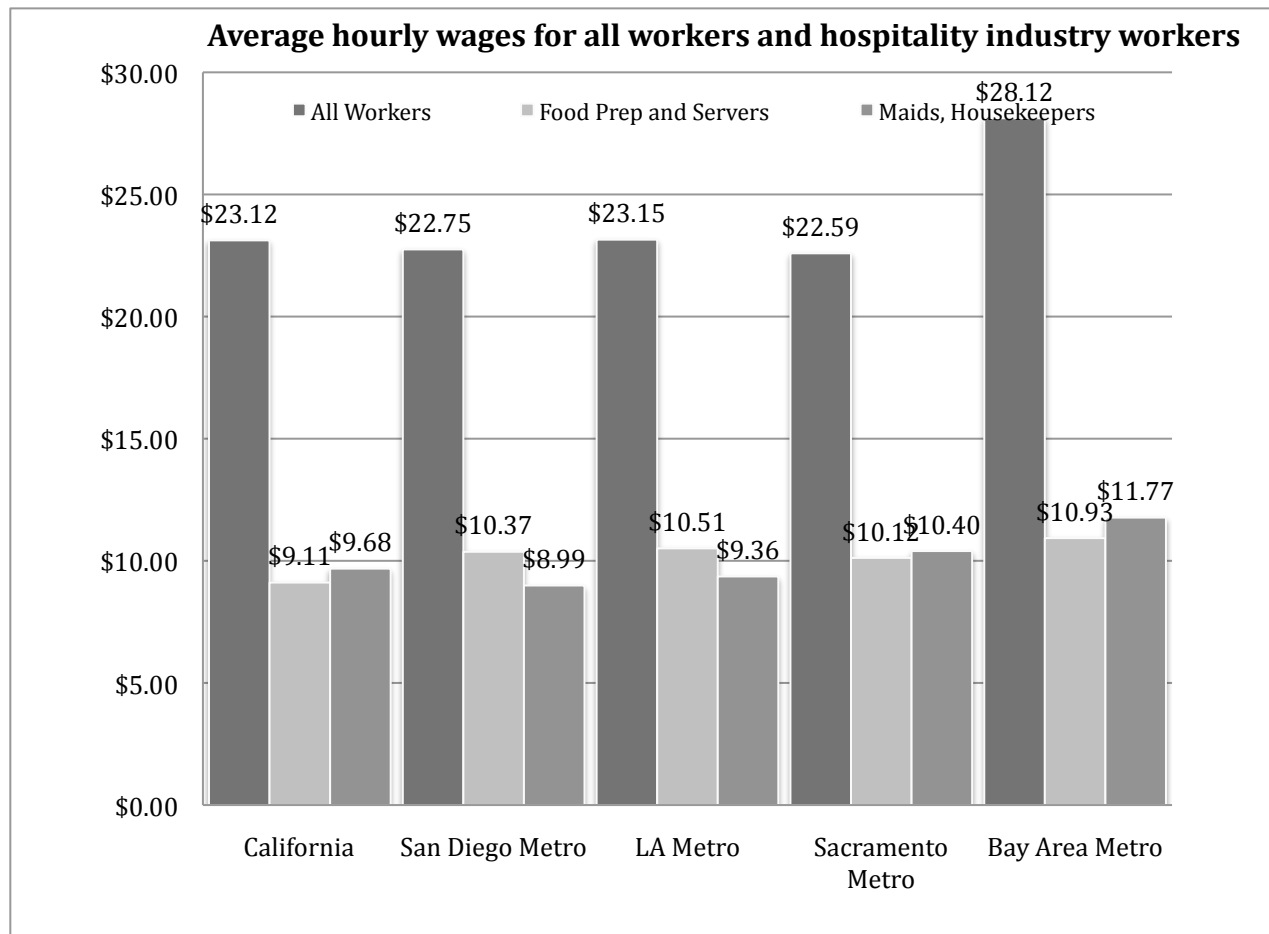
Certain industries -- “Base Industries” in economic development terms -- are those that generate wealth for the community by attracting money from outside the region rather than recycling local dollars. Much of this imported revenue multiplies in the community, creating new or supporting existing companies and employees -- who in turn spend money in the community.

Some clusters of industry are especially important in San Diego: Military Defense and Aerospace; Research and Innovation Life Sciences, Telecommunications, Energy and Alternative Energy Technologies, Tourism, and Health Care represent the largest clusters of employment in our economy.



About 92 percent of San Diego companies are small businesses of 12 or fewer employees; the average employer size is 59 employees¹². 13.5 percent of San Diego jobs are sole proprietors or partners, exceeding the statewide average of 11.6 percent¹³. The City's many smaller businesses serve larger companies or meet the needs of individual consumers. From high technology consultants working from a spare bedroom to neighborhood restaurants, these businesses help San Diego base industries drive prosperity for the region.

Despite the overall growth of per capita income in recent years, not all residents shared in the community's prosperity. The mean (average) wage of employees in the San Diego metro region lags behind the statewide average, as well as the averages of the Los Angeles metro and San Francisco/Oakland/San Jose areas¹⁴.



California EDD does not include gratuities in wages paid to tipped employees

Wages vary significantly by industry. A majority of persons working in information services, telecommunications, innovation, professional services, life sciences, and advanced manufacturing are paid in the higher income bracket. A minority of workers in health services and construction are classified as higher wage earners.

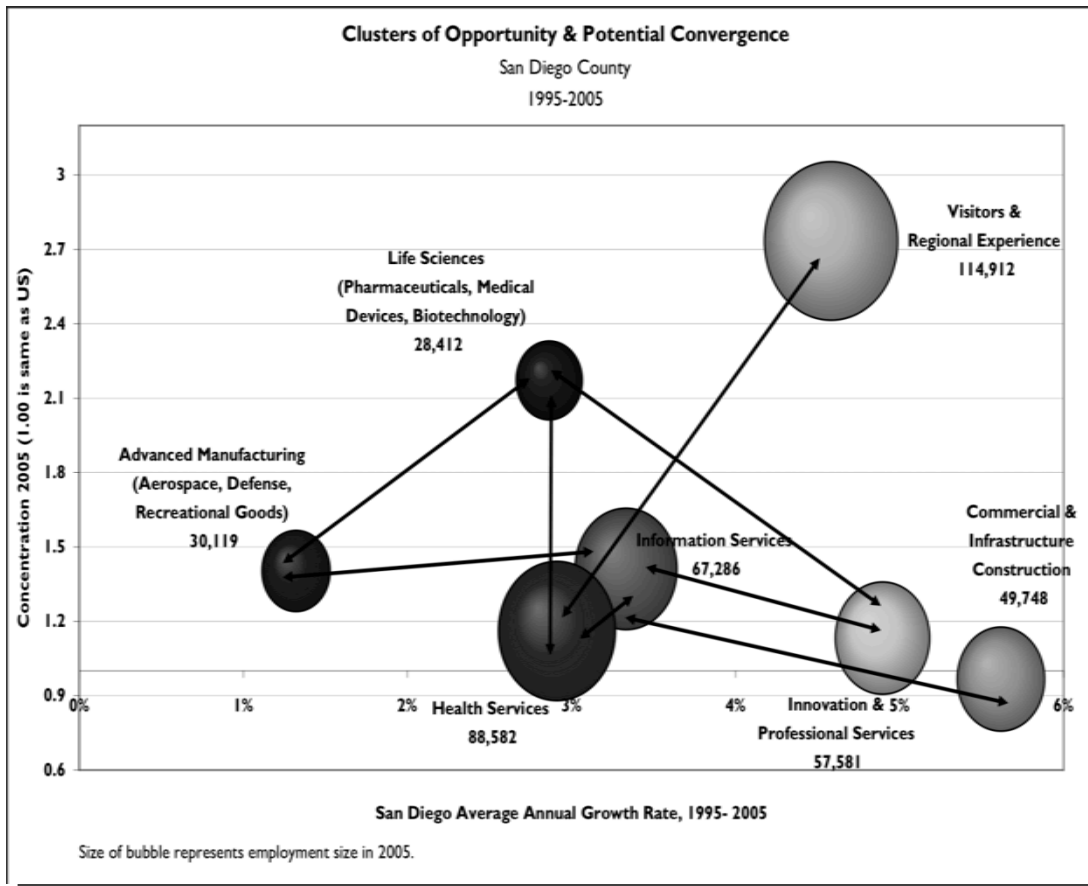
One major sector, tourism, is dominated by lower level wages, with only four percent classified in the higher income bracket, while 71 percent are in the lowest bracket.¹⁵ There are meaningful differences within the hospitality work force. Food preparation workers and servers do better than the state average or among peers in many other markets. However, maids and housekeepers are paid less than both the statewide average and major competitor markets in the state.¹⁶

Major industry clusters

Research and technology

Drawing on the intellectual resources of UCSD and The Salk Institute, the biotech industry was born in San Diego in 1978. Today San Diego is home to the third largest biotech cluster in the world, with multinational pharmaceutical corporations clustered around the La Jolla/University Town Center area.¹⁷

- More than 50 major research institutes are based in San Diego, and five of them were founded



in the last two years.¹⁸ There are more than 1,000 internet technology, wireless, and software companies operating in San Diego, many of which are clustered around the Sorrento Valley/Scripps Ranch area.¹⁹

- 250 energy companies that produce energy and related environmental and resource companions are based in San Diego, including General Atomics, Sempra Energy and Sapphire Energy.²⁰

Defense and aerospace

San Diego is a leader in U.S. defense and homeland security, home to America's largest concentration of active-duty military personnel.

- Annual direct and indirect economic impact of defense spending is \$18.3 billion, including more than \$4.5 billion in manufacturing.²¹ Jobs supported by military and defense research, and development and advanced manufacturing, create additional jobs in related industries as

well.

- The defense industry can help stabilize the local economy during national recessions. Because Federal government defense spending invests heavily in San Diego the regional economy has tended to wax and wane more in relation to federal defense appropriations than with the national business cycle.²²

Tourism

Visitors spend about \$7.3 billion per year in the city of San Diego, roughly 11 percent of the economy and private sector employment, producing about \$3 billion in household income for 164,000 San Diegans.

- Unique to base industries, tourism is a substantial *direct contributor to city government finance*. Transient Occupancy Taxes (TOT) on hotel rooms generate \$150 to \$175 million annually for the city. Sales taxes on restaurants account for about 17 percent of total sale tax revenues.²³
- The San Diego Convention Center (SDCC) drives more than \$1.2 billion in annual economic impact for the region, principally within city limits.²² A 2009 blue ribbon panel recommends SDCC should be expanded by perhaps one million square feet, adding up to 250,000 square feet of exhibition halls adjacent to existing space.²⁴
- In 2007 the City created the San Diego Tourism Marketing District (TMD), a five-year pilot program for a business improvement district to finance promotion of San Diego as a travel destination. In FY 2011, the TMD is expected to generate \$23.7 million.²⁵ Independent performance audits show that TMD funding is generating a return on investment (ROI) of 13:1 based on room rates alone.²⁶

Healthcare institutions

Three of San Diego's four largest private employers are hospitals and their related health systems.

San Diego hospitals and related health systems generated almost \$14 billion in gross revenue in 2008.²⁷ Additional revenue is generated through the economic multiplier created by spending from 38,000 hospital and related health system employees, as well as local vendors. During a moribund economy, the health care sector was a rare bright light. From the period August 2009 to August 2010, the health care sector actually added 2,600 jobs, compared to an overall local loss of 9,900 jobs during this period.²⁸

Despite the (relative) health of this economic sector, the region lacks an adequate supply of acute care beds, lagging the state average ratio of beds per capita by eight percent.²⁹

Critical strategies for a competitive San Diego economy

The Commission evaluated more than 20 suggestions for improving economic competitiveness. Based on this work, some major strategic themes emerged as most important for attention by the City.

Build from strength: support the economy by investing in our community

To remain economically competitive San Diego needs to maintain and build its reputation as a great place to live and work.

A competitive economy for San Diego matches what residents say they want most from the City: good

streets, prompt response to calls for police and fire service, efforts to address homelessness, well-maintained parks, clean beaches, good street lighting, beach lifeguards, and recycling.

Being a community that attracts entrepreneurs and the intellectual leadership their companies need is a major competitive advantage for San Diego. Nurturing a “creative community” should be a major priority for economic competitiveness.³⁰ San Diego should strive to become the community of first choice for those who seek to live, work, and visit here to enjoy our climate, environmental amenities, and creative community. These are people who choose where they want to visit or work, be it San Diego, Austin, or Boston.

Many of the same factors that build and sustain a creative economy also enhance tourism. Making San Diego attractive to existing residents, visitors, entrepreneurial employers, and high value employees is mutually supportive.

Protecting and improving water quality in bays and at beaches should be a top priority

Enhancing and protecting environmental assets may be the area where city government can have the largest direct impact on competitiveness. San Diego’s beaches and bays are invaluable tools for promoting the city’s economy.

In 2001, the San Diego Association of Governments and the San Diego Regional Economic Development Corporation produced a “Sustainability Index” for San Diego. This report was updated in 2005 and is again under evaluation.³¹

San Diego showed mixed results or no improvement in 67 percent of the indicators when 2005 results were compared to 2001 scores. Per capita income, toxic releases, business investment, traffic congestion, and capital investment in air transport, sewerage and public transit all remained the same or declined. Air quality was down slightly after years of showing improvement. Housing affordability suffered as the median price of homes approached the \$500,000 level. San Diego did show an improvement in one third of the indicators, including adult educational attainment, income distribution, and capital facilities investment in solid waste management, highways, and water utilities.

In July 2010, the State Water Quality Control Board adopted a list of 1,700 waters failing to meet federal “Fishable, Swimmable, Drinkable” standards -- 15 percent are in San Diego County. The largest source of this pollution is urban runoff: grease, oils, copper, pesticides/ herbicides, pet waste, and litter.

The City should enact a new storm water fee structure to enable greater investment in this area to achieve or exceed State and Federal water quality goals, to meet the expectations of local residents, and to maintain a competitive economy based on a quality environment.

Continue investing in tourism promotion

Tourism is an obvious beneficiary of the area’s climate, natural recreational amenities, proximity to the large Los Angeles metropolitan market, and the most heavily traveled border crossing in the world. But competition for high-end tourism, major conventions, and corporate meetings is fierce, with communities such as Phoenix, Denver, Las Vegas, Anaheim, San Francisco and Los Angeles as prime competitors.

Keeping tourism economically strong requires vigorous marketing of the destination for the city to maintain or increase market share.³² The Commission recommends that the Tourism Marketing District be granted a ten-year extension to operate.³³

The Commission concurs with the Mayor's Task Force on the Convention Center Project: the City should seek to expand the facility if it can be financed without diverting money from the General Fund or critical funding sources.

Workforce development

A skilled workforce is the single most important factor to attract, retain, and grow businesses.³⁴ If the City wants to promote competitiveness it should seek ways to help schools develop a qualified workforce.

San Diego holds a strong position nationally in persons with advanced education. At the same time, it faces significant challenges in making sure that elementary and secondary students receive the skills they need for good jobs or admission to a college or university.

The San Diego Unified School District has recently shown that it can effectively use resources to improve the workforce. For example, student science scores have more than doubled in the past five years.³⁵ This improvement has resulted from SDUSD's use of Full Option Science Systems (FOSS) in all grades. This system integrates individual student interests in science into their broader curriculum.³⁶

Leaders at SDUSD have identified specific programs they believe would help students improve work and study skills and develop an ethic for lifelong learning and teamwork. The City should help support workforce development through some or all of the following tactics:

- Ensure affordable broadband Internet access for the estimated 42 percent of San Diego students who now have no such access.³⁷ CDBG funding could be used to help students from lower income families gain broadband access. Through its relationship with cable and wireless providers, the City could also encourage close cooperation with schools to ensure access for all students.
- Help make unpaid internships part of the regular school curriculum for high school students throughout the school year. Consider the use of CDBG grant funding through one or more community organizations in cooperation with SDUSD.
- Consider CDBG grant funding for teacher externships to learn how to incorporate science into all aspects of elementary education and transfer such skills to peer teachers. Continued improvement of science learning can help meet the needs of San Diego's research, technology, and defense clusters.

Break down silos

City government should seek to be more user-friendly and efficient for residents and businesses. There appears to be little response from the City, to the frustrations among businesses and homeowners trying to comply with city rules. There is little staff capacity to help navigate the myriad issues that confront residents or businesses seeking to create or expand their facilities in San Diego.

The City should seek ways to create a one-stop-to-shop approach to development and construction related projects. Creating multi-disciplinary experts or tightly knit review teams would be superior to requiring business people or residents to visit several offices and await information to move between offices. In business, time is money. This might be the biggest contribution the city could make to reduce the cost of doing business in our community.

Additionally, all City forms, permit applications, license and fee payments should be automated on an interactive website that is available to users 24/7. No one should need to travel to a City office unless absolutely necessary to accomplish the governmental process.

Sustainable infrastructure

The City should do everything it can to improve the reliability and capacity of its water and electrical supplies, transportation, and communications, even if the City's ability to influence these important components may be relatively minor.

Water supply is a competitive deterrent for the entire region. About 90 percent of potable water travels to San Diego through hundreds of miles of pipeline. This makes the community vulnerable to unpredictable water price hikes, availability/rationing, and disruption from natural or man-made disaster.

The City should compel its eight members on the County Water Authority to vigorously support regional water supply solutions, including desalination, water re-purification, and storage.

Although northern San Diego County is home to a large nuclear power plant, 2/3 of San Diego's electricity is imported from outside the region with 12 percent generated by coal-fired plants 53 percent by natural gas-fired sources.³⁸ There are no geothermal or hydroelectric resources attainable. To be competitive in high investment manufacturing industries, the City should aggressively support affordable and sustainable electrical energy.

Health care

The City should determine if there are ways to streamline the permit process for essential health care facilities. This might include eliminating or permitting self-certification for any redundant reviews between state, county, and city regulators. In addition, waiving or reducing development impact fees should be considered as an incentive to help meet patient demand for more hospital facilities.

As the City reviews community plans, the role of hospitals in each neighborhood should be considered as part of these plans. This should include community access to care as well as possible negative impacts on the surrounding community and infrastructure. The City should also consider whether a proposed relocation of an existing facility would create added difficulty for the city's most vulnerable residents.

Competitiveness challenges

California faces significant competitive disadvantages because housing, energy, water, state taxes, and transportation are very expensive compared to many other states.

Some factors are especially problematic for San Diego: housing prices, dependence on water from distant sources, and transportation -- especially air travel -- is more challenging in San Diego than in most peer cities. In a 23-year index based on cost of labor, energy, state and local taxes, and office space, San Diego ranks unfavorably -- 189 among America's 200 largest metro areas.³⁹ There is little the City can do to significantly impact any of these factors.

Two areas that warrant further analysis by the City are:

- **Broadband access**

Being a superior competitor requires continuous improvement -- San Diego's global competitors are each seeking a larger piece of the economic pie. Australia is embarking on a program to ensure wireless internet access for everyone in the country. Cities across America are seeking to do the same. In New York, the municipal government is in negotiations with communication companies on franchise fees to allow free wireless

in parks. The City of Pittsburgh has public-private partnership agreements for wireless access in parks and the downtown area. If San Diego wants to be the leading edge of technology-driven economies, then it needs to ensure that broadband technology is universally available, fast, and affordable. This is true both at the public school level where affordability is a hurdle and for the creative workforce needed in the research, technology, and advanced manufacturing sectors.

- **Development processing**

The largest number of suggestions received by the Commission involved land development or project processing. However, most of these suggestions lacked specific proposals for action. Most suggestions failed to explain precisely which ordinances, policies, or procedures would be required to implement the concepts, or to identify the estimated costs or benefits of doing so.

Moreover, many of these suggestions for competitiveness are either undocumented as to their likelihood of attracting new business, or seem to miss the mark. Improving the City's efficiency in processing land development projects may be desirable for a variety of reasons. However, economic competitiveness with other communities does not appear to be a clear result from many of the suggested development reforms. It is unclear if projects move more slowly through the City of San Diego than through peer cities, either in San Diego County or statewide, as there appears to be no benchmarking data to enable such a comparison. If the City is to respond to these concerns, then it should work with peer cities to create a common database for continuous improvement.

The impact of local fees and taxes on economic competitiveness

San Diego's business license taxes are about one-eighth the statewide average; the city has no utility tax, and low storm water fees.⁴⁰ Even if local taxes or fees were high, there is no evidence that local taxes and fees necessarily damage a city's ability to attract or retain business. To the extent business taxes have some impact on a firm's location decisions, research shows that the impact is low.⁴¹

Local taxes and fees appear to be an insignificant competitiveness issue, especially in contrast to issues such as state regulation and taxation, availability and cost of housing, water, energy, and transportation, and access to a fully qualified workforce.

All other things being equal, the amount of business-related taxes is unlikely to significantly influence a decision of whether to locate in (for example) the San Jose area over the San Diego area. However, major difference in taxes might influence a decision to locate a specific facility in San Diego over a nearby city in this region offering similar community features and amenities.⁴²

Affordable housing linkage fees

Studies of the city and the region's economic competitiveness report that high housing prices, both for-sale and rental, are a major impediment to job creation in the region.⁴³ Important industries will not be able to expand and flourish without their employees having access to housing they can afford.

The City Council Land Use and Housing Committee asked the Commission to make recommendations regarding housing Linkage Fees. Linkage Fees were created by the City Council and Mayor in 1990 as an impact fee charged to new commercial developments. These funds are used to support construction of affordable housing to mitigate the impact of new commercial construction. In 1996 the City cut linkage fees in half.

Advocates of increasing affordable housing access in San Diego consider linkage fees essential to

ensuring that people who work in San Diego also have the opportunity to live here. Detractors of the initiative have said Linkage Fees may stifle business opportunities and prevent companies from coming to San Diego. There is merit to both sides of the argument. There was no empirical data presented to the Commission enabling conclusions about the impact of the fees at this time.

Based on evidence and arguments presented, the Commission recommends that the Council not increase linkage fees at this time.

The San Diego Housing Commission has a study underway that will provide the City Council and Mayor with data that may be used to weigh the impact of the fee on commercial development versus the economic benefits that are generated by the fees.

Competing citywide

Not every community is sharing in San Diego's overall competitive success. The City gives only limited focus on attracting businesses to communities that could especially benefit from new industry.

This is a lost opportunity to revitalize communities, impacting everything from the quality of the workforce to social costs related to poverty and despair.

When new businesses move to a community they tend to spawn an increased level of business activity in the surrounding neighborhoods. This means new opportunity for local small businesses and employment opportunities for local residents, reducing costs and pollution from long range commuting.

One way to approach competitiveness for disadvantaged communities might be found in the Economic Prosperity Element in Community Plan Updates. Twenty percent of CDBG service funds are allocated to a Planning and Administration category. Redevelopment agencies or community-based organizations might seek CDBG planning grants. An economic development strategy would assess the needs of a community and determine what types of businesses are most appropriate to attract for that specific community.

A study would look at targeted industries based on issues such as:

- Linkage to community labor force;
- Job training availability that matches the industry; and
- Readiness of community based organizations to support the economic strategy in the future.

Conclusions and recommendations on economic competitiveness

Adopt a strategy that builds on San Diego's existing strengths, differentiating San Diego as the best place to do business because it is a creative community with environmental, recreational, and cultural amenities for employees, high quality community services, an increasingly capable workforce, and a sustainable economy.

Essential Infrastructure

- Significantly improve storm water runoff programs to protect and improve water quality in bays and at beaches to achieve or exceed State and Federal water quality standards and goals.
- Compel the City's eight members of the County Water Authority to vigorously support regional water supply solutions, including desalination, water re-purification and storage.
- Support development of additional electric energy supply, especially sustainable sources including solar, wind, and other alternatives to carbon-based production.
- Adopt policies that promote broadband Internet access that is citywide, affordable and fast.

Quality of Life

Maintain public safety services, streets and highways, parks, libraries, beaches, bays, and other community amenities in a manner that continues to attract high skill workers who will bring their careers and their families to San Diego. The condition of city streets is also a high priority for residents according to the recent survey.

Workforce Development

Encourage cooperation between schools, local cable and wireless Internet providers and help facilitate public and private financing to ensure that low-income students can obtain broadband access. Consider CDBG funding for the purchase of computers for lower income students or to provide computer maintenance services, or both.

Help make unpaid internships part of the regular school curriculum for high school students throughout the school year. Consider the use of CDBG grant funding through one or more community organizations in cooperation with SDUSD.

Consider CDBG grant funding for teacher externships to learn how to incorporate science into all aspects of elementary education and transfer such skills to peer teachers. Continued improvement of science learning can help meet the needs of San Diego's research, technology, and defense clusters.

Competing citywide

To ensure that every community shares in the city's competitive successes, help communities in south and southeast San Diego build competitiveness strategies tailored to their needs and assets.

- Consider planning grants to redevelopment agencies or community based organizations to help inform the Economic Prosperity Element in the Community Plan Updates.
- Identify community-based organizations in targeted communities with sufficient leadership and staff infrastructure to support ongoing planning and implementation.

Development related

- Implement a "cradle to permit" project management model with a single project manager having control and authority of the project schedule and process from start to finish, including over reviews by outside departments. Use this concept not only for major projects, but also for all projects where applicants are willing to pay additional fees for this increased level of service.
- Automate City forms, permit applications, fee payments, etc. on an interactive website that is available to users 24/7.
- To the extent permissible by law, require that all new development proposals incorporate adopted City guidelines for economic development priorities, green/sustainable projects, Transit-Oriented Development projects, mixed-use projects, and affordable housing projects.
- The Housing Impact Fee (Linkage Fee) on commercial development should not be increased at this time.
- San Diego and peer cities should compile and compare benchmarking data on the costs and time for development processing and seek continuous quality improvement for the benefit of taxpayers and applicants alike.
- The City should make attraction of new businesses to under-developed areas a priority.

Tourism

- Extend the Tourism Marketing District for ten additional years.⁴⁴
- Expand the San Diego Convention Center by 150,000 to 250,000 square feet of exhibition space, plus supporting uses on a site contiguous to the existing facility, if this can be accomplished without use of General Funds or other revenues critical for core services.

Healthcare

- Determine if there are ways to streamline the permit process for essential health care facilities. This might include elimination of redundant reviews between state, county, and city regulators by the City enabling self-certification of compliance in redundant areas.
- Evaluate whether Development Impact Fees and Housing Impact Fee should be waived or reduced for non-profit hospitals to encourage increased ability to meet the needs of local residents and attract new economic activity.

IV. City Revenues

The Commission was directed by the City Council and Mayor to investigate possible revenue strategies. To accomplish this requires at least a cursory review of some expense issues, as well. This report concentrates almost exclusively on expenses paid from the General Fund as that gap for FY 2012 appears to be \$73 million or greater. The Commission focused on fees that would go to various Enterprise Funds or to the General Fund. Taxes reviewed by the Commission would go to the General Fund.

Limitations of the Commission's study

Early in the Commission's work the Office of the Independent Budget Analyst was asked to prepare a compendium of potential sources for major revenue improvements. Two reports were produced, enabling the Commission to understand both the possibilities and the limitations of state law or other governance.

More than 20 possible revenue sources were identified. This Revenue section of the report is generally guided by the study of major existing revenues and a select few other possibilities deemed worthy of action or close further examination.

The structural budget deficit

Despite a robust economy for most of the past 20 years and recent aggressive cost cutting by City officials, the City of San Diego's budget is strained beyond its limits. While the temporarily depressed global economy has served to exacerbate the City's budget problem, good years and bad, the City always comes up short.⁴⁵

During recent times, the City enjoyed high hotel, sales, and property tax receipts. The City has grown increasingly dependent on these revenues, which are influenced almost exclusively by national economic forces outside the City's control.

In fact, growth in these revenues enabled the city to operate normally for years, albeit with limited reserves and an accumulating pension debt. It also created a false sense of well being that municipal services can be financed with no new taxes or fees. Since 2004, City leaders have worked hard to resolve the chronic budget deficits through efforts to increase efficiencies, and targeted reductions to city services. Since FY 2007, the Mayor and City Council have eliminated 1414 jobs, slimmed down pension plans for new employees, and reduced City costs for benefits for existing employees.⁴⁶

Even after these cuts, the City faces a projected deficit of at least \$73 million for Fiscal Year 2012 (July 1, 2011 to June 30, 2012). Projections for the following years are not much better. Given reduced expenses and current income, there seems to be no end in sight for ongoing budget deficits. The City of San Diego faces a structural budget deficit – a deficit that remains across economic cycles, because existing taxes and fees are too low to maintain expected public services and promised employee retirement benefits.⁴⁷

There is no single culprit or cause for San Diego's structural deficit. Some of the factors include:

- Since voter approval of an ordinance in 1919 the City has paid for residential waste collection through its General Fund, while other California cities charge a separate fee or tax for these services. In 2009, about \$49 million in residential waste cost was charged to the General Fund. Similarly, the General Fund cost of preventing, treating and cleaning-up urban runoff is currently about \$36 million. But the City charges only \$6 million in fees for these services, creating a net drain on the General Fund of approximately \$30 million.⁴⁸ Together, the failure of the City to capture fees for residential waste collection and storm water deficit costs together total nearly \$79 million.⁴⁹
- While the City has increased expenditures on many fronts, there has been no increase in general tax revenues since the TOT was increased in 1994.
- Employee pension and retiree health care costs have been irretrievably committed to thousands of current and former employees without regard to the City's ability to pay such costs.
- Retirement costs have escalated at a far greater rate than revenues, eroding the ability of the General Fund to keep pace with such costs, much less to enhance or add new services.

Although state law and the City Charter require the City's annual budget must be balanced, that does not mean that a structural budget deficit does not exist. One of the clearest indications the City's budget deficit is structural, not situational, is that a major budget deficit remains even after many spending reductions that have been implemented.

Beginning in FY 2003, and in each fiscal year since, the City has been forced to make spending reductions to balance the budget. The

fact that these reductions have been persistent, and some cases increasing, is a strong indication that the City's deficit is structural in nature. It should be noted that during these years, other measures such as one-time revenues were also employed to help balance the budget.

Considerable changes were made to

budget practices in FY 2007, including the proper budgeting of supplemental positions, and the application for the first time of a vacancy savings factor. In FY 2008, about 400 positions were eliminated due to continued vacancies, as well as the Mayor's Business Process Reengineering efforts.

The City Council and Mayor directed CRRECC to "Research strategies to maximize revenues of the city which go towards the City's core function of services including neighborhood infrastructure improvements, libraries, park and recreation, and public safety."

What is most striking is that these deficits have occurred even during a time of healthy economic conditions and strong revenue growth. While major revenues in FY 2003 were still feeling the effect of the national recession and the 9/11 attacks, revenue growth from FY 2004 to 2007 was robust, yet the City faced deficits during this period as well. The fact that budget deficits were persistent during good economic times is another clear indication of a structural imbalance.⁵⁰

City leadership responds to the budget crisis

As the City's leadership recognized that the economy was continuing to wane, they continued with budgetary reforms and expense reductions. The FY 2009 Budget required \$17.5 million in reductions, eliminating another 243 full time employees (FTE). Having adopted this budget, in the first quarter of FY 2009 the Council cut the budget by an additional \$36.6 million eliminating another 45 FTE. The budget for FY 2010 was balanced by sustaining the staff cuts initiated throughout the prior year, plus achieving an additional \$33 million from salary reductions. During the spring of 2009, it

became clear that global economic recession was dramatically impacting City finances during the current Fiscal Year and would continue for at least one full year thereafter. Despite consistent fiscal discipline during the preceding five years, the City estimated the FY 2011 budget would face a shortfall of \$179 million. Again the budget was balanced, this time by eliminating another 531 FTE. (The actual FY 2011 deficit ultimately totaled \$211 million, \$32 million worse than forecast.)

In total, 1414 staff positions have been eliminated from the City budget since FY 2007 and pay has been cut by six percent for remaining employees with annual personnel costs reduced by at least \$100 million, eight fire engine companies have been taken out of service, library and park and recreation hours and programs have been reduced, and the City has closed all Community Service Centers.⁵¹

Finalizing the FY 2011 budget, the Mayor and Council concluded that any further cuts would cause significant disruptions to city services and achieved an additional \$75 million in one-time resources, largely through intra-City fund transfers; little or none of this one-time revenue is replicable in the future.

In April 2010 the City Chief Operating Officer presented a grim picture through at least FY 2015. Starting July 1 2011, the City will need to fill a gap of at least \$73 million. The fiscal situation is not projected to improve much for at least two more years, and even in the fourth year (FY 2015) the structural deficit is estimated to be about \$48 million.

Without enhanced revenues and further reforms, it is difficult to create a model in which the City can simultaneously maintain the service levels residents need and want, fulfill seemingly inescapable commitments to retired or vested current employees, and sustain post-retirement health care benefits for current employees. Something has to give.

Toward this end, in February 2010 the City Council unanimously adopted a Resolution with eleven guiding principles to eliminate the structural deficit.⁵² These principles are in synch with resident attitudes: using a combination of contracting with private companies to implement managed competition and a combination of new revenues and service cuts to resolve the budget deficit.

The Commission unanimously concurred with these guidelines, and to the extent resources have permitted, relied on the guidelines during deliberations.

Sizing up the challenge

The City's current budget is \$2.7 billion a \$162 million (5.6 percent) reduction from the prior year.⁵³ The bulk of reduced spending came from a \$153 million cut to capital improvements: additional deferred maintenance for a city already far behind in keeping its infrastructure intact.

The bulk of the City budget -- nearly \$1.7 billion -- is allocated to funds for special purposes including water and wastewater utilities and some City departments (e.g., Development Services, such as debt service, special reserves, and capital improvements). These functions are self-funded through user fees and outside revenue such as state and federal grants.

The remainder is the City General Fund, currently nearly \$1.1 Billion. The General Fund is where the City has the greatest flexibility in determining how funds are spent, as it is funded through general taxes, which pay for general City services. It is the source for essential city services such as fire, police, street repair, trash collection, most storm water cleanup, libraries, parks, and other city services that most residents are satisfied with and want to see maintained.⁵⁴

More than fifty percent of the General Fund goes to police and fire protection. While San Diego has a remarkable record of preventing crime it also has the fewest number of police officers per capita of any major city in America.⁵⁵ It also has insufficient firefighters, fire stations, and fire engines.⁵⁶

Therefore, any cuts to public safety service could come at a cost in lives and property.

According to the recent Citizen Survey, a large majority of residents do not want more service cuts. If the City responds to what residents want, then it will find a balance between cutting costs, implementing reforms and increasing revenues; all of which are needed to get the job done.

Existing sources of City revenue

This section reviews current City revenue sources, examines the diversity of these sources, and compares the City of San Diego to peer cities on various scales of measurement.

The City derives revenue from many sources. Taxes and fees are different in that taxes are collected from one group of persons, then used for the common benefit of the community; fees are collected solely from those benefitting from the related city service. The largest of these revenues are taxes, which can only be imposed or increased through a vote of the electorate. In cases where the taxes are used for general purposes, a simple majority of local voters may authorize a tax hike. If funds are used for a specified purpose, 2/3-voter approval is required. It is worth noting that San Diego has not increased any tax rate or added any new tax source since approval of a transient occupancy tax (TOT) increase in 1994.

Another major revenue source is fees. Fees can be agreed to by a willing party in a contract with the city, as in the case of franchise fees to use city rights of way for various utilities. In most cases, however, a city may only impose fees upon approval of a majority vote of those being charged the fee. There are three general exceptions to this rule: the fee is collected from the user of a specific city service, for example using a designated (metered) parking space on a city street, or obtaining a permit for an event at a city owned park; the fee is for metered water or waste water; or the fee has been previously enacted and is consistent with the fee's original purpose. Additionally, establishing or increasing a fee is subject to a public Protest Hearing. If a majority of those to be assessed protest, then the fee is rejected.

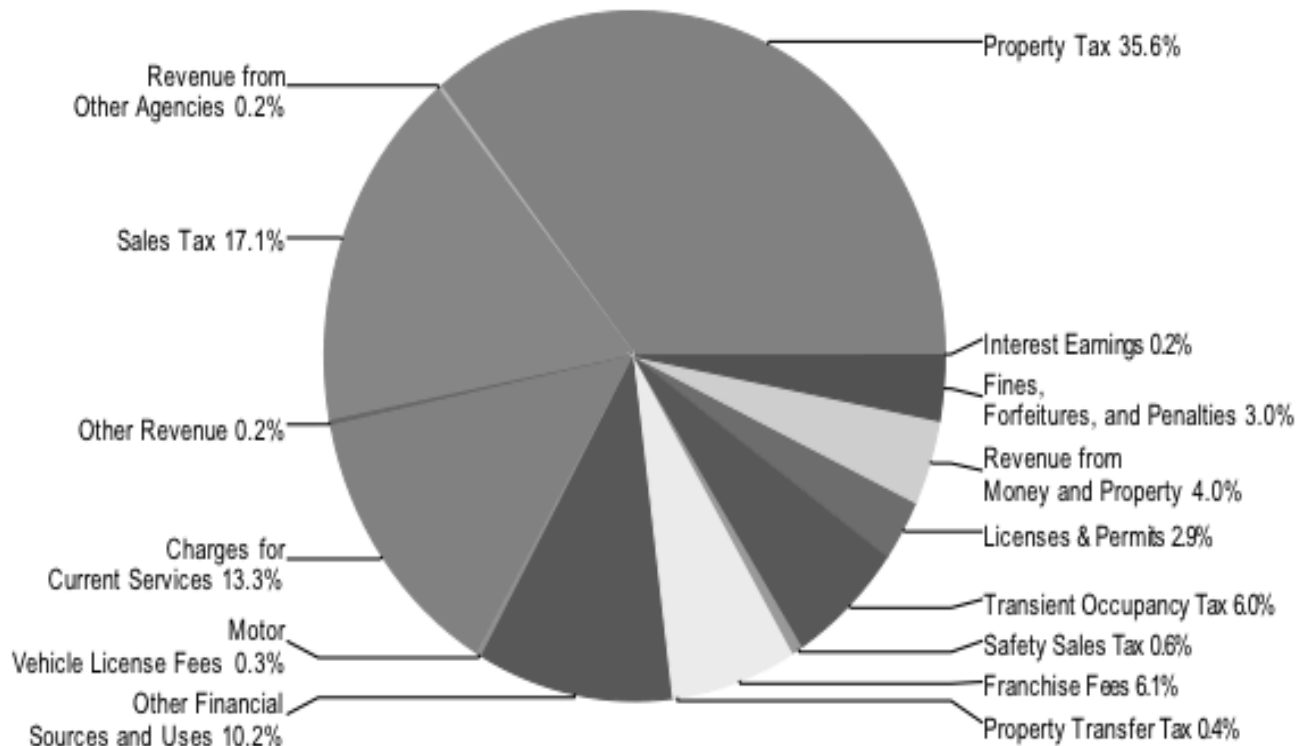
As will be noted later, the City of San Diego does not impose several types of taxes and fees that are imposed by peer cities. This presents a challenge in providing comparable -- or superior -- service or community improvement. The Independent Budget Analyst has cautioned that over the past 15 years the General Fund has become increasingly reliant on just a few major revenue sources.⁵⁷ This is significant for two primary reasons:

- There has been a decline in diversification among the City's general revenues sources. As with a soundly managed investment portfolio, diversity can provide both long-term growth and stability; being too reliant on a few revenue sectors renders the City unnecessarily vulnerable to external economic forces.
- The City increasingly relies on revenue sources that are cyclical and unstable. This is problematic if long-term funding commitments are significantly increased during short-term revenue spikes. These factors become particularly evident by looking at the two largest revenue sources, property tax and sales tax, as a percentage of total General Fund revenues.

Private contracts for City services

Seventy-four percent of residents approve of using more private contractors and implementing managed competition⁵⁸ according to the recent survey conducted through the office of the Independent Budget Analyst.

In 2006 San Diego Voters approved Proposition C enabling the City to contract out for services. In 2008 voters approved an amendment prohibiting private contracting for public safety services. Most recently, in September 2010, the City Council, Mayor, and labor unions agreed on a Guidebook for policies and procedures related to managed competition, a requirement before contracts can be let.



In addition to managed competition, there has been discussion of transferring operation of certain facilities to a third party in exchange for either a one-time payment or a guaranteed income stream to the City. This might eliminate costs for such services from the City Budget entirely and possibly provide either a one-time or annual revenue source. Likely prospects for the granting of a concession (or similar mechanism) include the Miramar Landfill, the City's two general aviation airports, and golf courses. Proponents say that revenue would become General Fund revenue -- not be required to stay in an Enterprise Fund for a related use. Others say that such funds cannot be converted to General Fund use, but must be used only for the original purpose of the enterprise fund. This issue requires further legal analysis.

The City cannot contract out all general services, which include City officers such as elected officials as well as appointed officers such as the Independent Budget Analyst, City Auditor, City Clerk, Treasurer; a variety of staff positions that must be City employees by City Charter or state law; and executive managers and compliance officers to administer and monitor private contractor

performance. Also, the vast majority of the 52 percent of the General Fund that is used for public safety services cannot be contracted out due to a voter-approved City law.

At the Commission's request, the office of the IBA prepared a comparative analysis of estimated costs for residential trash collection in cities throughout San Diego County.⁵⁹ All other cities in the county use private contracts to collect residential waste. While this brief study represents an estimate, the comparison suggests that costs for trash collection by San Diego City employees and City owned equipment might be about 12 percent higher than other cities. However, it might prove to have even less variance or be less expensive when examined in an actual Cost of Service study. Even if some functions have a relatively higher rate of savings, managed competition alone will not resolve the budget deficit.

The issue is complex and time will determine what savings the City can actually achieve. The City has a separate Independent Review Board to oversee managed competition; and given limited resources, the Commission did not make any findings or recommendations regarding private contracting, other than to note that a strong majority of residents want to see more of it, and that the Commission supports moving forward with the program as expeditiously as possible.

Corporate sponsorships

In 1999 the City established a Municipal Marketing Partnership Program that is credited with over \$20 million in revenue, in-kind services, and products since its inception. Marketing partnership opportunities valued at \$250,000+ must participate in open competition and be approved by the City Council; from \$50,000 to \$250,000 requires mayoral approval; and less than \$50,000 requires approval by a Department Head or Director. The City has existing partnerships with Verizon Wireless, the San Diego Metropolitan Credit Union, Cardiac Science, Pepsi Bottling Group, Inc., and the Qualcomm Stadium.

Sponsorships to support lifeguard services have been attained by the City in the past. In 2002, the city secured a two-year agreement with General Motors for 29 vehicles used by lifeguards. General Motors was allowed to place company graphics on the vehicles and advertise as the City's lifeguard services partner.

Labor union representatives for lifeguards say there are existing sponsorship opportunities to expand revenue within the City, including lifeguard uniforms and advertising on beach trashcans, lifeguard towers, and information boards among other possibilities. A City study of marketing sponsorship opportunities, possibly including kiosks on city owned property and other controlled environments, has been proposed.

Advertising on beach trashcans, lifeguard towers, and information boards/kiosks violate current San Diego Municipal Code signage regulations. Implementing these options within the City would require Council approval of amendments to the Municipal Code.

The Commission unanimously recommends a study be undertaken by the City to fully explore the opportunities, costs, and benefits related to these sponsorship concepts.

How we compare

San Diego does not charge fees for residential trash collection, and has not since voters approved the People's Ordinance in 1919. Also, the City of San Diego does not charge many fees or taxes that commonly provide other cities with major sources of revenue.⁶⁰

At first glance, San Diego generates general tax and fee revenue per capita that seems average for other large cities in California. But that average is strongly distorted by extremely low revenues in Fresno and Santa Ana. Those cities are not tourist or convention destinations that generate large amounts of TOT. Also, because their home prices are lower than the statewide average, they benefit less from property tax revenues than cities with higher property values. Moreover, the data are not weighted based on population, which would even further distance San Diego from the average per capita revenue.

Business Description	<i>Los Angeles</i>	San Diego	<i>San Jose</i>	<i>San Francisco</i>
Retail shop of \$1 million sales with 2 employees	\$1,480	\$34	\$150	\$943
Professional services of \$15 m revenue with 60 employees	\$88,650	\$365	\$1,086	\$13,340
Restaurant group with \$36 million in revenues and 850 employees	\$53,280	\$4,315	\$15,306	\$83,315
Hotel with \$50 million in revenues and 600 employees	\$74,000	\$3,065	\$10,806	\$80,192
Construction company with \$500 million in revenue and 800 employees	\$590,107	\$4,065	\$14,406	\$254,577
Multimedia/Hi-Tech company with \$6 billion revenues and 4,500 employees	\$7,080,000	\$22,565	\$25,000	\$2,095,037
Source: "The Bottom Line 2010 Report" compiled by the Center on Policy Initiatives				

Among the other California peer cities (Los Angeles, San Jose, Long Beach, Sacramento, Oakland and Anaheim) their average general revenue per capita for FY 2007 was \$757; in San Diego it was \$667. That difference of \$81 per resident equates to more than \$100 million per year.⁶¹

San Diego general revenues as a percentage of household income are 2.26 percent, far below the statewide average of 2.94 percent. A closer look at individual taxes and fees reveals why San Diego lags behind in per capita revenue to serve residents. San Diego has less than other large California cities in most general fund revenue sources, including utility users tax, sales tax, transient occupancy tax, trash fees, and business license taxes.

User fees

User fees are charges for specific services provided by the City to residents and businesses. In March 2009, the City Council adopted a User Fee Policy with guidelines for a comprehensive user fee schedule. It also requires that the full cost of services be identified and all fees be examined as to the amount of cost recovery. The objective of the Policy is to bring existing fee levels in line with service costs to ensure that all reasonable costs incurred in the provision of services are being recovered.

On November 2 2010, California voters approved Proposition 26 changing some requirements for fees.⁶² The City has not yet fully analyzed the implications of Proposition 26 to various types of fees,

but it is believed that existing Proposition 218 requirements still stand for instituting storm water or trash fees absent any determinations otherwise by courts as legal disputes arise in the future.

Trash collection fee

The People's Ordinance, adopted by San Diego voters in 1919, requires the City collect, transport, and dispose residential refuse. Amendments approved by voters in 1981 and 1986 specifically prohibit the City from imposing a fee or charge for trash service. These amendments also exempt small businesses from paying for trash service, subject to certain restrictions.

Multiple family dwellings such as apartments and condominiums are not covered by the ban on fees. So, unlike those who live in single family homes, about 37% of the City's population have to pay private contractors for waste collection and disposal.

In April 2009 the San Diego County Grand Jury issued a report titled, "Time for Repeal of the People's Ordinance." They found, *"The Ordinance is inequitable because it provides no-fee trash collection and disposal to some citizens and requires other citizens to pay for the service. The repeal of the Ordinance would allow the City to impose fees for trash services in a manner that would provide economic incentives for citizens to recycle and reduce the amount of waste they send to the City's landfill. For these reasons, the Grand Jury recommends that the City Council place a measure on the ballot to repeal the Ordinance, and consider imposing a variable-rate trash service fee once the Ordinance is repealed."*

If voters approve replacing, repealing or amending the People's Ordinance, then the City could charge a fee for collecting residential waste not to exceed the actual cost of service. These fees would be kept in a segregated (enterprise) fund. As with other fees, the rates established by the Council would be subject to veto by residents through a mandatory Protest Hearing.

The cost of service would be established through a formal study. Currently, residential trash costs about \$34 million per year from the General Fund, and another \$15 million from the Recycling Fund for handling of recyclables and green waste -- a total of \$49 million.

As suggested by the Grand Jury, the City could impose a fee for trash collection, but continue to pay for recycling and green waste through the General Fund to incentivize those behaviors. Also, to further discourage trash generation, a variable rate based on the volume of trash (size of container) should be implemented to provide an incentive for recycling and reuse. Fees for trash service would likely average about \$9.29 per month per household based on the City's cost recovery policy and state law. If fees are also charged for recycling and green waste it might total about \$15.16 monthly. Fees would likely be collected through the water and wastewater billing system, or collected annually through the County Tax Collector by adding these fees to property tax statements.

Those who support trash collection fees argue that not charging for trash collection fees is a significant contributing cause of the structural budget deficit. It is unfair for one third of the population to pay trash collection fees while the other two-thirds do not pay. Moreover, unlimited free trash collection encourages waste, and causes landfills to be exhausted sooner than they need be, at significant cost to taxpayers.

Those who argue against it assert that all the money generated will go to fund pensions.⁶³ Opponents say repealing the People's Ordinance is an open-ended permission to let the City impose fees without knowing in advance how much the fees will be. In addition, residents believe they are already paying for this service through other taxes.

Storm water fees

City storm water costs for FY 2010 \$37.7 million. Of this \$37.7 million, the City recaptured about

\$6.5 million from Storm Drain Fees. Single-family residences pay a flat fee of \$0.95/month which generates about \$2.5 million annually; multi-family residences and all other commercial uses pay in proportion to their potable water usage which generates about \$4.0 million in revenue. Together, this generated \$6.5 million in revenue for FY 2010.

Compared to other California cities, San Diego ranks 117 out of 122 in the amount it collects to treat urban runoff.⁶⁴ This requires a subsidy from the General Fund of about \$31.2 million per year.⁶⁵ If new storm water fees are not created, then General Fund subsidies could increase by an additional \$20 million within the next few years, totally an expected \$57 million in annual costs.

The Mayor and City Council should promptly complete a Cost of Service Study. Upon completion of the Study, if facts verify these estimates and if deemed necessary, the City should move this matter forward for a mail ballot vote of property owners as soon as possible.

Beach and bay parking fees

Other cities generally charge for parking near beach areas, both through meters and city owned parking lots. About \$8 million is collected annually for parking at the Port of San Diego, none of which goes to the City.

In 2005, the City identified 63 city-owned parking lots with about 8,880 parking spaces in the beach and bay area from Mission Bay Park to La Jolla Shores -- 44 lots containing approximately 8,000 spaces that are highly utilized during the peak season, weekends and holidays. Since that study, voters approved Proposition C, which may preclude use of new revenues for other than Mission Bay Park. An unknown number of spaces in the 2005 study are within Mission Bay, and thus might not benefit the General Fund. An unknown number of on-street parking meters might also be installed in beach areas. Revenues that might be derived from meters have likewise not been calculated. Fees can only recover directly related costs.

There are differences of legal opinion on how funds from beach parking could be used. Some say that this could include costs of maintaining the adjacent bay or beach area, roads leading to the parking location, and law enforcement. Others suggest that cost recovery would necessarily be limited only to the cost of maintaining the parking meters or lots. If the City were to collect parking lot revenue, then it would need to create an ordinance and policies defining what and how costs could be recovered.

There are also cautions about the likely outcome when the City seeks approval, where required, from the California Coastal Commission.

Those favoring beach and bay parking lots and meters argue that it would ensure that non-residents to help pay for San Diego road repairs, lifeguard protection, beach maintenance, law enforcement, and fire safety to make their beach experience safe and enjoyable. Overnight parking could be exempt, so the proposal would have little adverse impact on residents. Also, paid parking programs encourage more efficient use of limited parking spaces, which increases beach area access through parking turnover.

Arguments against beach parking fees are that they would reduce local business activity, reducing sales tax revenues and hurting local businesses and jobs. It also would be costly for area residents and unfair to make them pay for street parking when those in other neighborhoods are not charged for street parking. Regardless of cost, it would be an inconvenience for area residents. Also, income from this source is very speculative, as the Coastal Commission may not approve such a plan. Given the ambiguities and uncertainties, the Commission has no recommendation in this regard.

Taxes

Property tax

Property taxes are the largest source of revenue for the City of San Diego, representing 35.6 percent of general revenue in the FY 2011 budget. The basic tax rate of one percent of net property value is established and capped by Proposition 13. Of a resident's total property tax bill, only a portion goes to fund city government. The balance of the property tax is divided among the county, schools, special districts, and redevelopment agencies. The overall formula for dividing property taxes between all of these entities, including the City, is determined by the State Legislature.

The total City of San Diego share of property taxes is 19.9 percent of property taxes collected from owners. There are occasional fluctuations in how the total tax bill gets divided. The base City share of property taxes is 12.4 percent. Currently, cities receive an additional 5.3 percent to make up for the State cutback of Vehicle License Fees that formerly went to the city of licensure, as well as 2.2 percent to offset suspension of the Bradley-Burns Act.⁶⁶

In addition to the basic property tax, San Diego property owners pay an additional .00616 percent to pay for voter-approved bonds. This equates to \$6.16 per \$100,000 of property value.

As recent history shows, property values can fluctuate greatly with economic cycles. During times of rapid appreciation and high property turnover, additional tax revenues flow to the city. Governments sometimes make future commitments for the use of that money, only to see revenues flatten or drop as property loses value and property sales slow. Property that is not sold or improved during the year is limited to a maximum two percent in assessed value increase over the prior year. In comparing the adopted budgets for FY 2010 and FY 2011, property tax revenues increased only \$7.4 million -- 1.9 percent. This is even less than the two percent annual assessment increase permitted by Proposition 13.

Sales and use tax

The sales tax rate in San Diego is 8.75 percent. This is the same rate as for most other cities in San Diego County, but less than many peer cities around the state. As with property taxes, the city receives only a small portion of this tax, 7.75 percent is retained by the state; just one percent goes to the city.⁶⁷

Sales taxes are highly vulnerable to economic cycles. For FY 2011, *sales tax revenues declined 10.8 percent from the FY10 adopted budget*. While a two percent limit on property assessment increases helps stabilize property tax revenues, no such adjustment exists for other taxes, including sales taxes.

As required by the California Constitution, no local government may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote. In addition, the California Constitution requires that elections to impose, extend or increase a general tax must be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body.

The California Revenue and Taxation Code requires approval of any ordinance proposing an increase in a sales tax for general purposes by two-thirds vote of the members of the governing body, and the tax must then be approved by a majority vote of qualified voters.

Prior to the conclusion of the Commission's analysis, the City Council placed the question before voters. On November 2, 2010, San Diego voters rejected Proposition D, a proposed one-half percent increase to the sales and use tax for five years. If enacted, it was projected to increase revenues by

about \$100 million per year.

The tax measure was tied to a list of both specific and general reforms or reductions to spending, mostly related to retirement and health insurance benefits. Before the election, the Council also adopted a set of guiding principles for the budget should voters approve the temporary tax increase. These included the following during the duration of the tax: budget reductions averaging \$73 million annually below that contained in the Mayor's Five Year Financial Outlook presented in April 2010. Under this plan, costs for service restorations will not exceed \$20 million per year above those currently forecast. If any budget surpluses are created, then 50 percent of the surplus will be used to restore depleted reserves, pay down debt, or be used for one-time infrastructure improvements that do not require future expenses.

There are differences of opinion in the community on increasing sales taxes, although most of the arguments on both sides would apply to many kinds of tax, not just a sales tax.

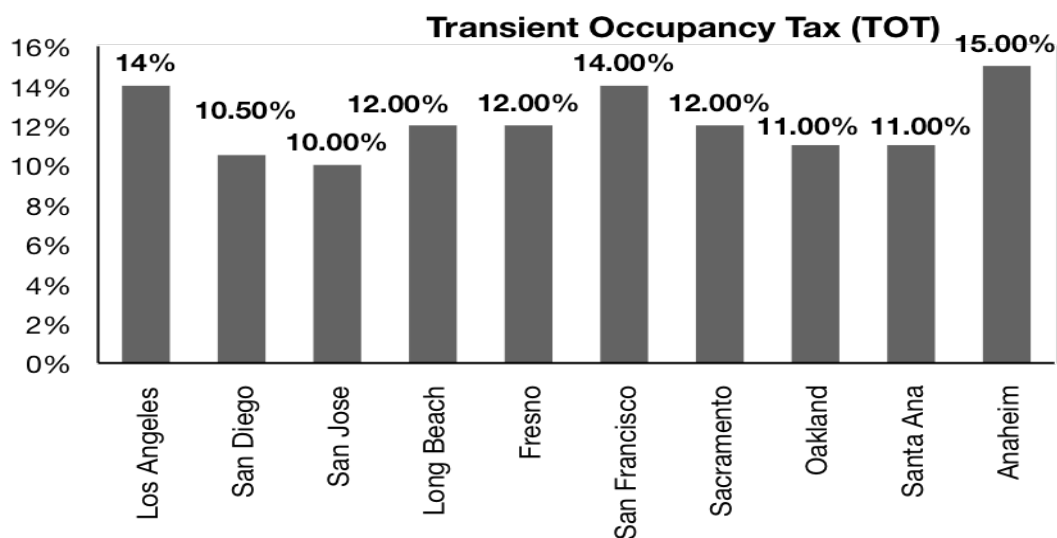
Some supporting points are that a sales tax will help maintain and restore essential City services such as fire, paramedic, police, library hours and pothole repair. The existing tax collection system would have little or no new administrative expense for either retailers or the City. A sales tax applies to all residents and businesses, sharing the burden broadly. Tourists pay significant amounts of sales taxes, so residents share costs of city services with the visitors who also use them.

Arguments against a general sales tax increase include that an increased sales tax allows the city to continue to provide unaffordable city services and compensation for city employees. They also say that sales taxes are regressive, putting a greater burden as a percentage of household income on those at the lowest end of the income spectrum. They also speculate that it could cause migration of some major retail purchases to other cities, resulting in a loss of sales for San Diego businesses.

In light of the results of Proposition D, the Commission does not recommend a sales tax increase at this time.

Transient Occupancy Tax (TOT) and Tourism Marketing District

The TOT is the fourth largest source of revenue for the City of San Diego.⁶⁸ It is applied on visitors occupying rooms at hotels, motels, inns, and other lodging facilities for less than 30 days. The TOT rate in the City of San Diego is 10.5 percent of which 5.5 percent is deposited into the General Fund. San Diego has the second lowest TOT rate among major cities in California. The city's principal California competitors, Anaheim, Los Angeles, and San Francisco have TOT rates of 14 to 15 percent.



For FY 2011, the City expects the General Fund will receive \$66 million in TOT revenue. This represents a 12.9 percent drop from prior year budget levels. As with the sales tax, because hotel taxes are subject to significant variations based on economic cycles, caution should be used when considering future obligations based on highly variable revenue.

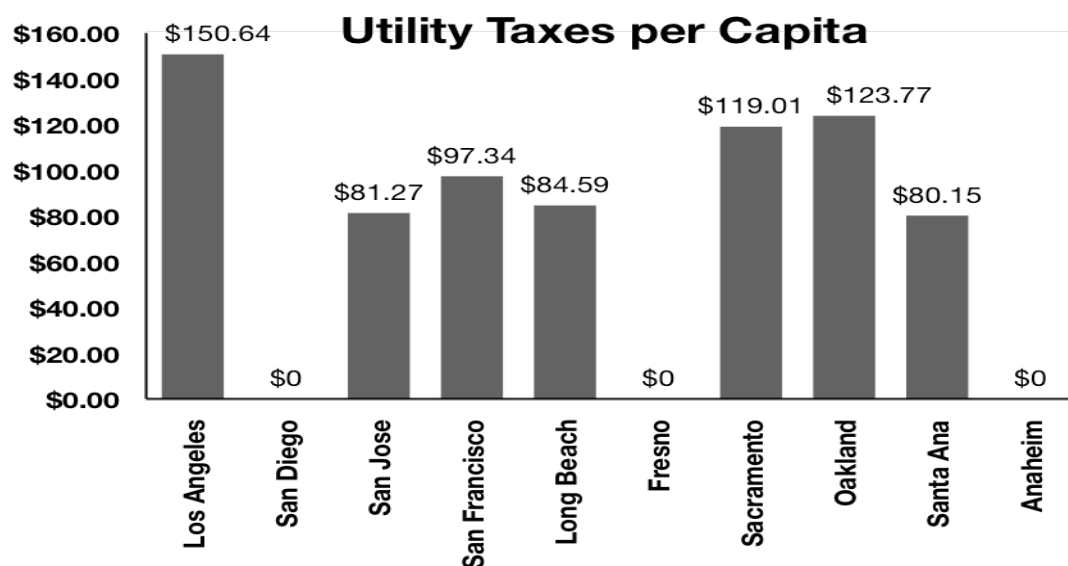
Based on FY 2011 revenue estimates, if the TOT was increased by one percent -- with the *entire* increase going to the General Fund -- an additional \$12.6 million or more could be generated.

In accordance with Council Policy, future increases to TOT are limited to a rate not greater than the average rate of the 15 major cities delineated in the policy (excluding the highest and lowest rate from the average). Currently this average rate is approximately 13.5 percent. A Council Resolution may change this Council Policy.

An increase in the TOT rate would require majority voter approval if revenues are for general purposes and a 2/3 vote if used for a special purpose. Two attempts to enact TOT increases of 2.5 percent occurred in successive elections in 2004. In the first election, funds were to be dedicated to specific purposes, triggering the 2/3-vote requirement. That proposition fell about five percent below the 2/3 threshold, thus failed even though it achieved a majority. The second election proposed that funds be used for general purposes, thus requiring a simple majority. It failed with a 41 percent yes, 59 percent no vote.

Utility users tax (UUT)

UUTs are a top revenue generator for most California cities. Approximately 150 cities and four counties impose UUTs. Most large California cities have enacted a UUT, with San Diego, Anaheim and Fresno being exceptions.⁶⁹ The tax rates for various services typically vary, with different rates from one to 11 percent for electricity, gas, telephone, water, sewer, garbage, cable television, and data transmission services. These taxes are collected by the utility and then paid to the City.



The average per capita UUT collected by peer cities in California is \$74 annually.⁷⁰ If the City

imposed a UUT averaging \$74 per capita, \$100.2 million in revenue might be generated annually.⁷¹

Supporters argue that it is a fair tax, as it requires all residents and businesses to share the burden. Opponents note that utilities already pay a state or city franchise fee to use the City right of way. They note that it would require new administrative expense for the city and utilities. There is also concern that it could produce market distortion between regulated (Cox, Times Warner, e.g.) vs. unregulated (DirectTV, DISH) television providers. They also argue that utility taxes are regressive, putting a greater percentage burden on those at the lowest end of the income spectrum. Moreover, they say it is in direct conflict with a robust competitiveness strategy because a UUT would increase the cost burden on business, especially on the manufacturing sectors, thus discouraging location or expansion in San Diego.

Commercial parking tax

Parking taxes are commonly levied as a percentage of the parking fee charged to the occupant. Parking taxes are collected by the parking facility operator and remitted to the city on a periodic basis. The City of San Diego does not currently levy a parking tax. Other large California cities levy parking taxes, including the cities of Los Angeles and Oakland, and San Francisco, with rates ranging from 10 to 25 percent of the parking fee.

City	Tax Rate	FY 09 Revenue
Los Angeles	10.0%	\$85.4 million
San Francisco	25.0%	\$64.5 million
Oakland	18.5%	\$14.2 million

For example, a 10 percent tax on parking fees collected at commercial parking lots and structures in San Diego might generate about \$31 million annually.⁷²

Arguments in favor of such a tax are that it is a relatively stable revenue source except during a severe recession; and it is also paid by tourists, sharing the costs of city services with the visitors who use them.

Arguments against are that it is unfair as it would not equally among residents or businesses, primarily based on job location; and it would require a new collection system with related administrative expense.

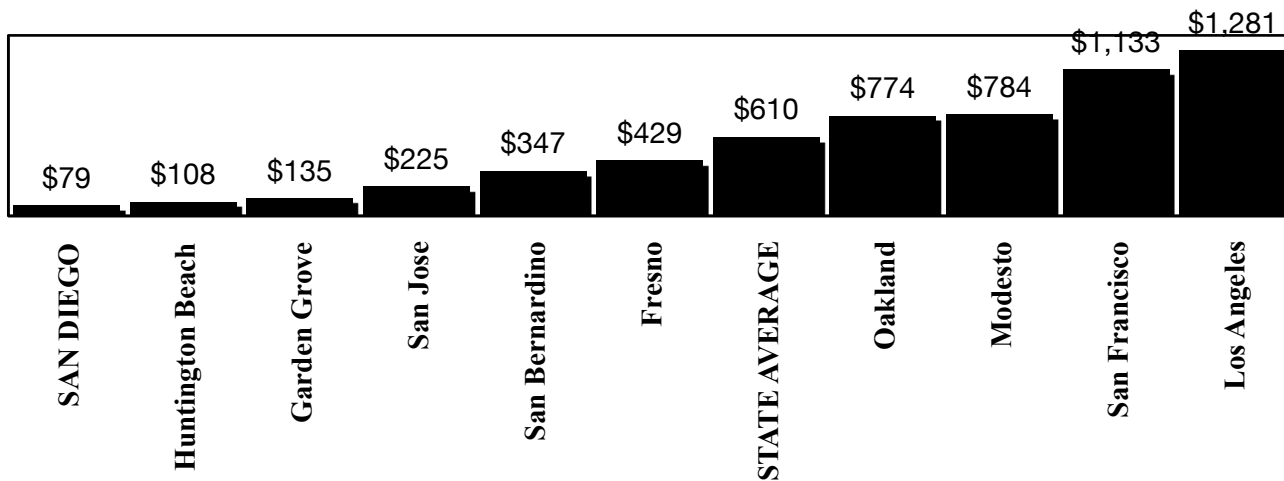
Business tax

Business taxes are usually levied as a percentage of gross receipts or a fixed charge per employee. Often, rates are tiered depending on the size of the business, number of employees, or business type. San Diego levies a flat annual tax of \$34 for about 92,000 businesses with 12 or fewer employees; and about 6,000 businesses with 13 or more employees pay a flat annual tax of \$125, plus \$5 for each employee. Additionally, new businesses within the City are required to pay a \$17 zoning use clearance fee.

City	Total Business Licenses	Total Revenue (\$ Millions)	Average Revenue per Account
San Francisco	75,000	\$394.0	\$5,253
Los Angeles	285,000	\$365.0	\$1,281
Oakland	65,000	\$50.0	\$769
San Jose	60,000	\$14.0	\$233
San Diego	178,000	\$14.0	\$79

Comparative data compiled by the Office of the City Treasurer for FY 2007 shows San Diego's average business tax revenue (including San Diego's rental unit business tax) is considerably lower than other major cities. Comparative data shows average business tax revenue (including business rental tax receipts) is far lower than any peer California city, in some cases dramatically lower. The average business tax payment in peer cities is \$671; in San Diego it is \$79.

Business Tax Revenue per Account



Expressed as a percentage of the General Fund, business tax revenue for 11 peer group cities ranged from three to 21 times higher than San Diego's.⁷³ Using a broader comparison of peer cities, the average revenue per account of peer cities is \$610.⁷⁴

If San Diego's business tax rates were raised to the peer city average, it would generate an additional \$94 million in annual city revenue. Merely increasing average revenue to that of San Jose would generate an additional \$26 million annually.

If the City decides to pursue an increase in business taxes, it should also consider changing the business tax basis from existing system based on number of employees to a system based on gross business receipts.

Such a system would require different rates for different industries because of the vast range of gross revenue by industry. Gross revenue alone does not reflect either a business' profit, employment, or demand on city services. For example, gross receipts for finance and insurance in the City of San Diego is estimated at roughly \$3.2 billion out of total city gross receipts of about \$3.8 billion, 84 percent of the city total.⁷⁵ Yet, that sector represents only about eight percent of regional payroll.⁷⁶

The City may wish to create a base tax -- perhaps returning to the former \$70 per small business minimum reduced by the City in FY 1995. That alone would generate about \$3 million annually. Also, because such a large share of local businesses are small businesses, the City may want to grant an exemption on some base amount of gross receipts, perhaps exempting the first \$100,000 from taxation.

Those who support increasing the tax, say San Diego has the lowest business taxes of the ten largest cities in the state. Thus, businesses do not pay their fair share of City costs and San Diego is

deprived of revenue it needs to ensure quality city services. Even tripling the rate -- or more -- would still keep San Diego far lower than either the state average or that of most peer cities; and business taxes are not a significant factor in business location decisions.

Those who oppose such a tax argue that it could discourage major businesses from staying in or moving to San Diego. They say it would be a hardship on small business owners. Finally, they argue that a gross receipts tax would be one more unreliable revenue source subject to major fluctuations based on economic cycles.

Conclusions and recommendations for revenues

The City should adopt these strategies:

- *Maximize cost reductions through managed competition and other reforms and economies that do not degrade City services or pass an unreasonable financial burden onto taxpayers*
- *To reduce subsidies from the General Fund, the City should first seek user fees to fully recover ongoing costs for specific services.*
- *If fees alone prove insufficient to maintain quality City services, the City should seek taxes that are broadly based, rather than specific to one industry.*

Seek economies and revenues other than fees or taxes

The structural deficit cannot be bridged through prudent expense reductions and outsourcing alone. Nonetheless, the City should do what it can to respond to the great majority of residents.

To the extent high quality services can be delivered to residents and internal customers within City government -- and if such services meet the standards set forth in the Managed Competition Ordinance and Guidebook -- the City should seek revenues through outsourcing. Likely candidates for this include vehicle maintenance, landscaping, painting, and printing. It is unclear whether large services such as trash collection can meet the required threshold of at least 10 percent savings from private contracting. In any event, nothing approaching the looming \$73 million deficit can be achieved through managed competition alone.

By city, state, and federal law, the decision to convert a city service to a private contractor takes time. There is no apparent way for the City to achieve major cost savings from managed competition in time to significantly improve the FY 2012 deficit.

Where substantial short-term or long-term revenues could result from granting concessions for private operators of the city landfill, airports, or golf courses, the City should seek to employ such contracts without surrendering fee ownership or perpetual lease of the land.

The City should explore the further use of marketing sponsorships and related changes to City ordinances and policies regarding outdoor advertising.

Increased City revenues are required through some combination of fees and taxes to maintain service levels that most residents expect from the city

Based on the opinions of residents, as measured by the IBA's survey, using fees is preferred over taxes for a significant majority of residents. The City's principal revenue enhancement strategy should first look for user fees that fully recover ongoing costs for specific services.

The City Council, the Mayor, and the Commission have acknowledged the City has a structural budget deficit, requiring a combination of expense reduction and new revenue sources. Contracting

with private companies to provide some city services may save some money, but that will likely not be enough to maintain the services that residents want. Given that 70 percent of residents oppose eliminating or reducing service levels, increasing revenues along with reforms seems to be the logical conclusion.

- **Eliminating the ban on residential trash collection fees should be the City's top revenue priority.** This will require voter approval after either being placed on the Council by a majority vote or by circulation of initiative petitions. Thereafter, a majority approval vote from voters is required. Due to the high cost of a special election, the soonest the ban might be lifted is probably June of 2012. A formal cost of service study would then be required in order to implement a fee schedule. Thus, it is likely that new revenues from trash collection could not begin until January 2013 at the earliest. For example, if a vote on the question is held in November 2012, revenue might begin flowing in time for FY 2014 (July 2013 - June 2014.) This would generate about \$34 million per year now taken from the General Fund.
- **Recovering current and future water pollution prevention costs through a new and substantially larger fee structure.** This first requires a formal cost of service study that is now underway and may be complete by the end of calendar year 2010. This will include a proposed fee schedule tied to the relative contribution each landowner makes toward the costs of urban runoff. Such a fee might be based on lot size and area of impermeable land. It would be necessary for the Council to set an election, probably a vote of property owners, for which a majority approval vote is required. This would likely be conducted by mail and could occur during 2011. Thereafter, the City must conduct hearings to establish the fees on a proscribed timetable. If a majority of property owners does not register a protest, the fees become effective. Thus, it is possible that new revenues from storm water fees might impact the latter months of the FY 2012 budget. Improvement to the FY 2013 budget is the more likely scenario. Immediately upon adoption relieves cost recovery deficiency of about \$31.2 million paid from General Fund to supplement the Storm Water Enterprise Fund. Depending on what environmental mandates the City must ultimately meet from Federal and State regulators, the additional costs to be recovered might range from \$15 to \$50 million increase per year.

If fees alone are insufficient to maintain quality services, the City should seek taxes that are broadly based, rather than specific to one industry or class of people. The Council should look first at taxes that are grossly disparate in San Diego compared to peer cities.

The Commission recommends the following taxes be considered if it seeks a tax increase at a future election:

- An increase to the business license tax and reconfiguration of the tax basis to gross receipts, not number of employees, warrant special attention by policy makers.
- A commercial parking tax on fees collected by commercial parking lots.

The Commission does not recommend a Utility Users Tax. In a rapidly changing technological environment, and given the City's already high costs for water and electricity, this should be considered only as a last resort, if at all. This kind of tax has the potential to distort consumer choice between various communication and information providers. A Utility Users Tax might also impose large cost burdens on key industries the City seeks to nurture.

The Commission does not recommend an increase to the Transient Occupancy Tax unless such revenues are solely or primarily used to reinvest in tourism promotion to generate even greater future TOT income for the City. However, to thus target the money would require a 2/3-majority support from voters.

The Commission does not have sufficient information upon which to make a recommendation on parking fees through either meters or city owned but privately managed parking lots. Issues that need to be resolved include likely outcomes with the Coastal Commission, opinions of local residents, how much nexus exists between parking fees and related streets, beaches, parks etc. as this controls how much General Fund relief would be generated, and economic elasticity studies to determine whether net revenue would be reduced by declining usage.

IV. Revenue Audit

In April 2009, the City Council Budget and Finance Committee requested that the City Auditor perform an audit of major City revenue sources. The audit examined sources for \$886,155,621, representing 78 percent of the City's \$1.13 billion General Fund revenue for fiscal year 2010.⁷⁷

Table 1: Major Citywide Revenue Categories – FY2010

Revenue Category	Amount
Property Tax ¹	\$ 396,818,843
Sales and Use Tax ²	\$ 217,198,749
TransNet	\$ 26,299,528
Gas Tax (Highway Users Tax)	\$ 24,295,928
Motor Vehicle License Fees	\$ 3,900,000
Fines, Forfeitures, Penalties ³	\$ 7,693,928
Leases ⁴	\$ 10,840,613
Rents & Concessions ⁵	\$ 33,056,957
Franchises ⁶	\$ 74,586,929
Transient Occupancy Tax (TOT)	\$ 75,907,285
Business Tax/Rental Unit Tax	\$ 15,556,861
TOTAL	\$ 886,155,621

Source: FY2010 Adopted Budget, City of San Diego

About 85 percent of the City's general revenues are initially collected by other entities then passed on to the City. It is often the City's responsibility to ensure that it receives all that it is owed.⁷⁸

Property Taxes

San Diego County is responsible for collecting property taxes, then forwarding a portion of revenues to individual cities, school districts, and special districts. The State Controller is required to perform an audit every three years of each county's methods for collecting, apportioning, and remitting taxes to each city and district within the county. At the end of the day, the burden lies upon the City to ensure it is receiving its full payment.

The single biggest issue preventing the City from auditing the County's payments is the lack of staff resources devoted toward these audits. Additionally, the County must cooperate with any such audit. An initial audit by the City would likely be rather costly. However, after that initial audit, it is expected that future audits would be easier and faster. The audit would bring the City a greater understanding of the tax allocation process and would benefit future budget planning as well.⁷⁹

The auditor's report noted that if the City were to audit the County's allocation methods every two years, it might find deficiencies with the revenue allocation before the State Audit period.⁸⁰ If it can report problems to the State before they have performed their audit, they have a more likely chance of getting changes made; once the State has completed their audit, all allocation strategies are deemed to be correct and the books are closed to future recovery by the City.⁸¹

As addressed in the report, the key to ensuring an accurate receipt is to be proactive in the auditing process. Forging a better relationship between the City's Business Tax Compliance Division and the County Assessor's office (if the City Attorney deems this appropriate) could help to create a better mutual understanding in the property tax collection and allocation process.

The Auditor's report outlined several concrete steps that could be taken to ensure full remittance:⁸²

- Develop a Memorandum of Understanding with the County to ensure access to required information allowing the City Treasurer's Revenue Audit Division to review property tax allocations to the City and observe the next State Audit of the County."
- "The Financial Management Department should take steps to obtain State audits of County property tax allocations and review any relevant findings or recommendations for purposes of follow up."
- "The City Treasurer's Office should consider providing business registration information to the County Assessor's office, and inform new businesses registering in the City of San Diego that they may be required to pay unsecured property tax to the County."
- "The City of San Diego should consider streamlining its communication with the County of San Diego's Assessor's Office to ensure the County's possessory interest records are up to date."

The Teeter Plan -- an option for property tax revenue

The City now receives its portion of a given owner's property taxes when the County collects the tax plus any penalties and interest. Since unpaid taxes and any accrued interest or penalties are automatically a lien against the proceeds of a sale, eventually virtually all sums are collected, allocated, and remitted to the City.

An alternative option exists by which the City may receive its allocation and remittance of property taxes. A Teeter Plan enables a participating City to receive 100 percent of its allocated share of taxes at the time they are billed to the taxpayer, not at the time they are actually collected. The County started offering this option to municipalities in 1993 and Coronado, National City and Vista have all since opted to participate.⁸³

Using a Teeter Plan, the City is assured that it receives all the property tax revenue it is entitled to with no need to audit collections and with certainty about the amount and timing of remittances. The Auditor's Report found, "Had the City been a part of the Teeter Plan in fiscal years 2007 through 2009, the City would have received an additional \$6.39 Million in property tax revenue." The disadvantage is that any interest and penalties eventually collected by the County are not shared with the City.

Since the great majority of penalties and interest will eventually be collected, a rather simple net present value calculation would help the City decide if the Teeter Plan would work to its advantage. However because the County is unable to provide data for the value of delinquent accounts based on the age of the account, it is difficult to accurately calculate the amount of penalties and interest the City of San Diego would lose were it to become a participant in the Teeter Plan."⁸⁴ It is hard to paint an accurate picture of how much the City would have gained under the Teeter Plan due to the fact that the expected income the City intends to make must be reconciled with the rate of tax delinquency recorded for the past few fiscal years.

On November 15, 2010 the City Chief Financial Officer reported that office's findings of their study of advantages and disadvantages of joining a Teeter Plan. They estimate that the City would receive a one-time infusion of about \$15.3 million, partially offset by collection of penalties and interest of \$4.3 million. The \$15.3 million represents only a cash flow advantage, as these funds will eventually be collected with penalties and interest. On the other hand, the \$4.3 million in lost revenue the first year is not recoverable. The Chief Financial Officer concluded, "Since the City can manage the delay in receipt of uncollected property tax revenue and receives interest and penalties on this amount, there is no fiscal basis for joining the Teeter Plan."

While the Chief Financial Officer provided an overview of the basis for the recommendation to not enter the Teeter Plan, the City Auditor believes the CFO's analysis requires further evaluation to determine if the CFO's conclusion that the Teeter Plan is not financially beneficial is justified and

supported by fact.

The Commission recommends that the CFO and the City Auditor collaborate to conclusively determine which option of property tax collection is in the best financial interest of the City.

TOT and hotel audits

During presentations by the City Auditor, commentary by the Chief Financial Officer, and subsequent meetings and correspondence, the Commission probed the following topics arising from the audit report:

- Should audit staff currently located in the office of the City Treasurer instead report to the City Auditor?
- Are all hotels being audited at least every three years to ensure the accuracy of TOT and TMD payments to the City?
- Should City staff directly undertake the collection of delinquent sales tax payments rather than continue using an outside vendor?

Findings and recommendations regarding the Revenue Audit

- City Auditor Eduardo Luna and his staff professionally presented the audit in both written form and in a series of oral presentations. Mr. Luna and his staff were thoroughly cooperative with the Commission throughout this process.
- To the extent the audit identified deficiencies in City systems, procedures, or oversight, the appropriate offices are implementing all or nearly all the Auditor recommendations.
- To the extent recommendations are not yet being implemented, it is either a matter of timing or a professional disagreement over how best to perform certain functions, either of which approach would conform to acceptable practice under standards of the United States Government Accountability Office. Specifically, auditing of TOT and similar payments made to the city by third parties are currently performed in the Office of the City Comptroller. There is no compelling reason to move that function to the City Auditor's Office.
- Sixteen percent of hotels were not audited within the three-year period required by City Ordinance. This matter was discussed with the CFO who acknowledged the deficiency that was caused in 2009 by a combination of staff vacancies and family medical leave. It was noted that while there was only 84 percent completion of audits within the most recent three-year cycle, those audits represented nearly all TOT revenues. Hotels that were not audited had a combination of high historical compliance and limited total revenue. Moreover, the CFO is committed to ensuring 100 percent completions of TOT audits within three years in the future.
- The use of a private outside contractor to ensure appropriate allocation of sales tax is yielding a return on investment of 14:1 -- for every dollar collected and retained by the vendor, fourteen dollars is paid to the City treasury. This private contractor is able to draw upon decades of experience, highly trained collection specialists, and best practices developed through their work in dozens of other municipal jurisdictions. The Commission recommends the continued use of outside vendors for this purpose.
- Commission recommends that the CFO and the City Auditor collaborate to conclusively determine which option of property tax collection is in the best financial interest of the City.

END NOTES

¹ Sources: FBI Uniform Crime Reports; California Emergency Management Agency, California Department of Finance, and “The Myth of Runaway City Spending,” Vladimir Kogan, UCSD Department of Political Science. June 5, 2009, voiceofsandiego.org.

² Per California Constitution, elections to impose, extend or increase a general tax must be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body

³ Disposable waste cost is \$34 million; an additional \$15 million is for collection of recyclables and green waste

⁴ Index calculated by dividing willingness to pay more for a service by the mean rating of that service. IBA Report No. 10-34, p. 22, April 15, 2010.

⁵ San Diego Metropolitan Area, Bureau of Economic Analysis, U.S. Department of Commerce

⁶ “Industry Employment and Labor Force” August 2010, California Department of Economic Development

⁷ Business Location Decisions and Employment Dynamics in California” 2007, Public Policy Institute of California

⁸ Ibid

⁹ California Employment Development Department Quarterly Census of Employment and Wages, third quarter 2007; (latest available to include breakdown of establishments per number of employees)

¹⁰ Centre City Development Corporation

¹¹ “Where paychecks are growing fastest,” G. Scott Thomas, June 4, 2007. J Bizjournals.com study based on 25 years of changes in per capita income (PCI) in the nation's 100 largest metropolitan areas as reported by U.S. Bureau of Economic Affairs.

¹² ¹² “City of San Diego Community and Economic Development Strategy”, page 3

¹³ Dr. Alan Gin, October 2010 Analysis of California Economic Development Department Data

¹⁴ Bureau of Economic Analysis, U.S. Department of Commerce; San Diego-Carlsbad-San Marcos SMSA

¹⁵ Does not include tipped (gratuity) income

¹⁶ U.S. Department of Labor, Bureau of Labor Statistics

¹⁷ Ibid page 9

¹⁸ CONNECT Report to the Citizens Revenue Review and Economic Competitiveness Commission”, page 5 12

¹⁹ Ibid page 8

²⁰ Ibid page 10

²¹ San Diego Regional Economic Development Corporation, April 2010 Report

²² Ibid page 2

²³ Testimony of Katie Hansen, California Restaurant Association, San Diego Region

²⁴ “Final Report of the Mayor’s Task Force on the Convention Center Project”, September 2009

²⁵ Testimony of Lorin Stewart, Tourism Marketing District and Meredith Dibden-Brown, City of San Diego CP&CI Dept.

²⁶ Ibid

²⁷ Excludes Kaiser Permanente, which does not report financial data.

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- ²⁸ Analysis by Alan Gin, PhD, from California EDD "Industry Employment and Labor Force" Data 8/2009 - 8/2010
- ²⁹ "Beyond Healthcare: The Economic Contribution of Hospitals" Hospital Association of San Diego and Imperial Counties.
- ³⁰ Richard Florida, "The Rise of the Creative Class." Washington Monthly 2002, et seq.
- ³¹ SD Regional Economic Development Corporation and SANDAG: "2005 Indicators of Sustainable Competitiveness: A Quality of Life Index for San Diego"
- ³² Testimony of Lorin Stewart, Executive Director, San Diego Tourism Marketing District, July 1, 2010
- ³³ The Commission's chair did not participate in any discussions or vote on TMD matters to avoid any appearance of an economic conflict of interest.
- ³⁴ "Guiding Principles for Successful Regionalism" A cooperative study by the University of Cincinnati, Northern Kentucky University, and Xavier University
- ³⁵ San Diego Unified School District California Standards Test Science Proficiency Results at Grades 5,8,10 and end of course, 2006-2010
- ³⁶ Testimony of Richard Barrera, President, San Diego Unified School District Board, September 9, 2010.
- ³⁷ Dr. David Lorden, Area 8 Superintendent, San Diego Unified School District.
- ³⁸ "San Diego Smart Energy 2020: The 21st Century Alternative," Bill Powers, P.E. Prepared by E-Tech International, October 2007.
- ³⁹ Forbes Magazine "Special Report Best Places For Business And Careers 03.25.09
- ⁴⁰ "The Bottom Line 2010 Report" compiled by the Center on Policy Initiatives from 2009 California State Controller data
- ⁴¹ "Who Benefits from State and Local Economic Development Policies?" Timothy Bartik, Upjohn Institute, 1991. See also "Urban Economics" page 101, McGraw Hill Irwin (c) 2009
- ⁴² Ibid
- ⁴³ Presentation on Affordable Housing Impact Fee, San Diego Housing Federation, April 22, 2010.
- ⁴⁴ Due to the possible appearance of conflict of interests, the Commission chair did not participate in or vote on the TMD recommendation
- ⁴⁵ IBA Report 08-14, Office of the Independent Budget Analyst, Feb. 2008
- ⁴⁶ City of San Diego, Community Budget Presentations, October 2010.
- ⁴⁷ IBA Report 08-14, Office of the Independent Budget Analyst, Feb. 2008
- ⁴⁸ IBA Report Number: 10-29, "Revenue Options for the City of San Diego", March 22, 2010
- ⁴⁹ IBA Report Number: 10-29, "Revenue Options for the City of San Diego", March 22, 2010
- ⁵⁰ IBA Report 08-14, Office of the Independent Budget Analyst, Feb. 2008
- ⁵¹ City of San Diego, Community Budget Presentations, October 2010
- ⁵² See Appendix. Resolution of the San Diego City Council R-305615, dated February 22, 2010
- ⁵³ This and other references to the "current budget" are from the Adopted City Budget FY 2011, City of San Diego Office of Financial Management
- ⁵⁴ IBA Report 10-34, Feb 2010 "Resident's Opinions on City Services" based Behavior Research Center survey
- ⁵⁵ FBI 2009 "Crime in the United States" Table 78, Full-time Law Enforcement Employees by State by City, 2009
- ⁵⁶ FBI 2009 "Annual Uniform Crime Report."
- ⁵⁷ IBA Report 08-14, Office of the Independent Budget Analyst, Feb. 2008
- ⁵⁸ IBA Report 10-34, Feb 2010 "Resident's Opinions on City Services" based Behavior Research Center survey

⁵⁹ Memo to CRRECC “Comparison of Refuse Collection Fees within San Diego County, IBA, September 9, 2010

⁶⁰ This and all other peer city comparisons are based on California cities only. Comparison to other states is not possible due to each state’s unique governmental responsibilities, tax structures, and restrictions on revenues.

⁶¹ Population and Household Income from 2006-08 “American Community Survey”, US Census Bureau

⁶² Proposition 26, 2010, Article XIII C, Section 1 (e)(2) and Article XIII D.

⁶³ NB: Legally, this cannot occur because all such fees may be used only for the direct costs of the specific service provided.

⁶⁴ “Storm Management Funding Issues” Brown & Caldwell /SD Metro Wastewater Department Aug. 15, 2005

⁶⁵ “Revenue Options for the City of San Diego” IBA Report Number: 10-29, March 22, 2010

⁶⁶ San Diego County Treasurer-Tax Collector Dan McAllister, “All About Your Property Taxes” 2010

⁶⁷ The additional .5% is allocated to TransNet and administered by SANDAG for regional transportation purposes

⁶⁸ TOT has been the third largest sourced, but sharp declines since 2009 have moved Franchise Fees up to 3rd.

⁶⁹ Anaheim operates a city-owned, not-for-profit electric and water utility

⁷⁰ “The Bottom Line Report” CPI 2010 from California State Controller 97th Annual Report

⁷¹ “Revenue Options for the City of San Diego” IBA Report Number: 10-29, March 22, 2010

⁷² Revenue Options for the City of San Diego” IBA Report Number: 10-29, March 22, 2010

⁷³ 2002 KNN report for City’s Strategic Framework Citizen Committee,

⁷⁴ “The Bottom Line Report” CPI 2010 from California State Controller 97th Annual Report

⁷⁵ Jay Chamberlain, California Franchise Tax Board, Sept. 2010 Report for the IBA. See Appendix

⁷⁶ California EDD Quarterly Census of Employment and Wages, third quarter 2007

⁷⁷ March 2010 Citywide Revenue Audit Report, Office of the City Auditor, page 5

⁷⁸ Ibid

⁷⁹ March 2010 Citywide Revenue Audit Report, Office of the City Auditor, page 14

⁸⁰ March 2010 Citywide Revenue Audit Report, Office of the City Auditor, page 14

⁸¹ California Revenue and Taxation Code Section 96.1(b)

⁸² Ibid, page 15

⁸³ Ibid, page 16

⁸⁴ March 2010 Citywide Revenue Audit Report, Office of the City Auditor, page 16

TABLE OF APPENDICES

A	Commissioner Biographies
B	Acknowledgements
C	Commission Meeting Summaries
D	Presentations to the Commission
E	Resident Survey
F	Competitiveness suggestions studied by the Commission
G	Suggestions for Workforce Improvement
H	Structural Deficit Guiding Principles
I	Table of Revenue Options
J	Gross Receipts by Industry
K	Comparison of Trash Collections Costs by City
L	Excerpts from the Office of the City Auditor's Citywide Revenue Audit

COMMISSIONERS BIOGRAPHIES

Roque Barros

Roque has 24 years of experience in organizing and community building. He joined the Jacobs Family Foundation in July 1997 and is the Director of Community Building. Before joining the Jacobs Family Foundation, Roque was Executive Director of Los Niños, an international Community Development organization.

Roque has developed and directed sustainable programs that assist communities in addressing their needs and developing solutions. Roque helped develop the Mexico Border Women's Fund, which provided business loans to women along the U.S./Mexico border. He also designed the Neighborhood Coordinators Program and created a training manual that helps residents become organizers in their own communities.

Roque has received several recognitions for his community building work. He received the San Diego Peacemakers Award for his work with "Writerz Blok" and was honored for his exemplary commitment to the residents of the 4th Council District. Roque was also selected and honored by President Clinton at a White House Reception in recognition of Hispanic Leaders.

Mr. Barros has also served on many boards, among them the National Community Building Network, Boys and Girls Club of Chula Vista, and the Hispanic Chamber of Commerce. Roque earned a degree in Business Administration from the University of Redlands. He lives in the Fourth Council District.

Ted Bonanno

Ted Bonanno is a business attorney with experience in negotiating commercial transactions, venture capital financings, and economic development projects.

From the battlefield to the boardroom, Ted has advised U.S. Marine Corps Generals, Chief Executive Officers, and the Governor of Florida.

He is currently assisting small business clients in California and Florida and continues to serve as a Major in the U.S. Marine Corps Reserve. He resides in the Fifth Council District.

Dr. Alan Gin

Alan Gin is an Associate Professor of Economics at the University of San Diego. He has worked with the Community Development Dept. of the County of Fresno and the Public Works Department of the City of Oxnard. Dr. Gin previously taught at Loyola Marymount University and the University of California at Santa Barbara. He has taught both undergraduate and graduate courses on a range of topics. In 2001, he was awarded the USD Parents' Association Award of Excellence and was voted "Professor of the Year" by the USD graduate business students for the 2002 - 2003 academic year. He is one of the affiliated faculty members of the USD's Real Estate Institute. At one point, he served as the Director of Communications for the John M. Ahlers Center for International Business at the University of San Diego.

Dr. Gin's research interests include local public finance, urban transportation, and the economy of San Diego. He is best known for developing and publishing USD's Index

Appendix A

of Leading Economic Indicators for San Diego County, a monthly report on the outlook for the local economy. His insights on the local economy have made him a popular source for radio and television interviews, and he has given nearly 1,000 interviews to local and national media sources. In addition, he has been widely quoted in many newspapers and was named to the San Diego Business Journal's "Who's Who" list.

Gin earned a B.S. in Economics from California Polytechnic State University, San Luis Obispo, as well as a M.A. and Ph.D., both in Economics, from the University of California, Santa Barbara. He taught in the USD's Summer Study Abroad Programs in Hong Kong and Beijing/ Shanghai, and has traveled extensively in the region.

Michael A. Morton, Jr.

Mike Morton, Jr. works for The Brigantine Restaurant Corporation as President and CEO. He has worked for The Brigantine in numerous capacities since 1992 and he has held his current position since July of 2008.

The Brigantine Restaurant Corporation currently operates seven Brigantine Seafood Restaurants, five Miguel's Cocinas, and The Steakhouse at Azul La Jolla.

Along with his duties with the Brigantine Restaurant Corporation, Mike serves on the Boards of Directors of the San Diego Chapter of the California Restaurant Association and the San Diego Regional Chamber of Commerce. Mike graduated from Vanderbilt University with a BA in Political Science and Spanish in 1998 and he received his MBA from the University of Southern California in 2003.

Mr.Morton is a resident of the Second Council District.

Andrea Moser

Andrea Moser is Vice President of Communications at Sanford-Burnham Medical Research Institute. Moser is responsible for external and internal communications, including media relations, web-based outreach, and other activities essential to highlighting the research conducted at the Institute's locations in La Jolla, Santa Barbara and at Lake Nona in Orlando, Florida.

Before joining the Institute, Moser was Vice President of Economic Development and Marketing at the San Diego Regional Economic Development Corporation. In that capacity, she worked to promote the San Diego region as a location for technology companies. Moser also worked with CONNECT, an internationally recognized program serving technology entrepreneurs.

Moser graduated from the University of Michigan, Ann Arbor with a degree in journalism and creative writing and earned her M.B.A. at the Drucker School of Management at Claremont Graduate University in Claremont, California. She lives in the First Council District.

Robert Nelson

Bob Nelson is an advertising and public relations executive with 30 years' experience in government and communications. Since 2005 Nelson has served as a director of the San Diego Convention Center Corporation and its board chair for 2009-2010. He has also served as a director and Secretary-Treasurer of San Diego Theatres, Inc, manager of the San Diego Civic Theater and Balboa Theater.

Nelson was President Clinton's small business representative on the U.S.

Competitiveness Policy Council. He has served the City of San Diego on its City Public Utilities Advisory Commission, Mayor's Task Force on Convention Center Expansion, and as a member of Interim Mayor Toni Atkins' transition team.

Other local service includes the San Diego County District Attorney's Community Advisory Board; DA's Citizens Academy Planning Group; and DA's Reentry Roundtable. He is a former director and board chair for the San Diego LGBT Community Center. Other board directorships have included the Orange County Health Planning Council, Saddleback Community Hospital, California Coast Chapter of the Young Presidents Organization (YPO), and the Land and Water Fund of the Rockies (now Western Resource Advocates). Nelson lives in the Third Council District.

Dr. Gangaram Singh

Gangaram Singh is the Associate Dean for Academic Affairs, a professor of management in the College of Business Administration, and director for the Center for International Business Education and Research at San Diego State University (SDSU).

Singh teaches international business, labor relations, human resource management, international human resource management, and research methodology. Since moving to SDSU in 1999, he has published more than 50 articles in highly respected academic and practitioner journals. His research includes three broad areas: issues of an aging workforce, international employment relations, and innovations of human resource management and collective bargaining.

Professor Singh has consulted with leading businesses in San Diego and abroad. In recognition of his excellence, he has received funds for his research from the Department of Labor, the Department of Education, the Foundation for Enterprise Development, the Barber Fund (Wayne State University), and the Taiwan Cost Management Institute.

After completing his post secondary education (B. Comm., MIR, MBA, and PhD) in Canada, he relocated to the United States where he taught for two years (1997-1999) at Case Western Reserve University.

Professor Singh is deeply involved with the San Diego community, where he serves as the President of San Diego Cricket Club, Treasurer of the Rancho Penasquitos Recreation Council, and as a volunteer cricket coach at the Rancho YMCA. He lives in the Fifth Council District.

Dr. Stephen Standifird

Stephen Standifird is an Associate Dean and an Associate Professor of Strategic Management at the University of San Diego's School of Business Administration. Before serving as Associate Dean, he was the director of the school's nationally ranked undergraduate business programs.

Before joining USD, he taught at the Western Washington University, was a visiting lecturer at the Academy of Entrepreneurship and Management in Warsaw, Poland and worked in a variety of project related areas for Amoco Chemical Company.

Dr. Standifird's current research focuses on reputation and its affect strategic competitiveness. He has been published in many academic journals and currently serves on the editorial boards of *Corporate Reputation Review* and the *Journal of Management Inquiry*.

Appendix A

He has served on a variety of not-for-profit boards, most recently as a board President for the Crime Victims Fund, a San Diego based not-for-profit that provides financial support to victims of crimes with a special emphasis on victims of domestic violence).

Standifird holds a Ph.D. in Organization Studies from the University of Oregon, an MBA from Northwestern University, and a BS in chemical engineering from Purdue University. He lives in the Sixth Council District.

Acknowledgments

The Honorable Anthony Young
The Honorable Benjamin Hueso, Council President
The Honorable Kevin Faulconer, Council President Pro Tem
The Honorable Sherri Lightner
The Honorable Todd Gloria
The Honorable Carl DeMaio
The Honorable Donna Frye
The Honorable Marti Emerald
Andrea Tevlin, San Diego Independent Budget Analyst
Elaine DuVal, Fiscal and Policy Analyst - Office of the Independent Budget Analyst
Rosanna Kendrick, Intern – Council Administration
Lisa Bryne, Fiscal and Policy Analyst - Office of the Independent Budget Analyst
Melinda Nickelberry, Fiscal and Policy Analyst - Office of the Independent Budget Analyst
State Controller John Chiang and Executive Staff
Julie Dubick, Director of Policy - Office of Mayor Jerry Sanders
Mary Lewis, Chief Financial Officer - City of San Diego
Beth Murray, Deputy Director - Economic Development for the City of San Diego
Steve Erie, Professor of Political Science - University of California, San Diego
Vladimir Kogan, Department of Political Science – University of California, San Diego
Eric Bruvold, President – National University System Institute for Policy Research
Angelika Villagrana, Director of Public Policy - San Diego Regional Chamber of Commerce
Jay Chamberlin, California State Franchise Tax Board
Julie Meier-Wright, President/CEO - San Diego Regional Economic Development Corp.
Andrew Poat, VP of Public Policy - San Diego Regional Economic Development Corporation
Dr. Murtaza Baxamusa, Research and Policy Director - Center on Policy Initiatives
Jason Everitt, Research and Policy Analyst - Center on Policy Initiatives
Joanne Golden, Policy Manager - San Diego County Taxpayers Association
Craig Benedetto, Principal - California Strategies
Lori Witzel, Director of Council Administration – City of San Diego
Patty Soria, Office of the City Clerk – City of San Diego
Vincent Miranda, City of San Diego Communications
John Campbell, City of San Diego Communications
Mike Armenta, City of San Diego Communications

The Commission would like to extend special thanks to the Office of the Independent Budget Analyst and Breanna Zwart.

COMMISSION MEETINGS SUMMARIES

Please see full versions of minutes for more detailed information.

December 15, 2009 – Council Committee Room

- Councilmember Young welcomed the Commissioners and thanked them for their time.
- Councilmember DeMaio also thanked the Commission members and looks forward to their recommendations.
- Andrea Tevlin welcomed the Commission and thanked them for their time.
- City Clerk Liz Maland swore in the Commissioner members.
- Commissioners were oriented on public procedural matters, City's progress on expense reforms, the structural budget deficit, and the revenue audit scope and timeline.
- Structure of the Commission was discussed, what sectors are driving revenue, and having a vision for the commission.

January 7, 2010 – Council Chambers

- Goals of the Commission
 - Focus groups in community
 - Research needs to be done to assess needs of the community members
 - Identify key players in different areas
 - Research strategies to max revenues of the city which goes towards the city's core function of services including neighborhood infrastructure improvement.
- Calendar of meetings should be established, voted on meeting time.
- Citizen survey will be done in March, available by April.
 - Results will help decide whether additional revenue is needed.
- Mr. Barros appointed Vice Chair.
- Mr. Bonanno to serve as Parliamentarian.

January 28, 2010 – Council Chambers

- Lorena Gonzales commented on the need for middle class jobs for local workers.
- Peer Review Panel discussed, a number of professionals will be included.
- Quorums are needed for the meetings, so commissioners should make every attempt to attend scheduled meetings.
- City Auditor shared the revenue audit is currently being reviewed by an independent auditor, and the report is tentatively scheduled to be completed at end of the month.
- Commissioners discussed goals of the commission, how they are defined, and how to approach them.

February 11, 2010 – Council Chambers

- The IBA developed a new draft of the Citizen Survey, incorporating suggestions from Commissioners. The IBA will have a final review of the survey with the Budget Committee next week.
- Presentation from the Economic Development Corporation on Economic Competitiveness
 - Julie Meier-Wright, CEO of San Diego Regional Economic Development Corporation, introduced the topic of competitiveness from a global perspective.

Appendix C

- The EDC takes a multipronged approach to economic development for the region: 1. Company attraction/retention; 2. Marketing to counter some of the negative headlines; 3. Policy focused on the region can be most competitive for investment.
- Two primary areas of concern are workforce and infrastructure.
- Summary of findings from the EDC's Partnership for a Global Economy includes three focus areas: 1. Workforce Incentives, developing career ladders and educating the developing workforce on emerging fields; 2. Convergence, developing new industries; 3. Infrastructure Investment, redevelopment that encourages dense affordable housing, sustainable transportation also focusing on water, energy, environmental sustainability and economic drivers (e.g. universities).
- Update on revenues from comparative cities from the Center for Policy Initiative: The Bottom Line Report
 - Dr. Baxamusa and Jason Everitt presentation using revenue comparisons among the top 10 cities in California.
- Public Comment: A representative from the San Diego County Tax Payer's Association provided the Commission with a rebuttal to the CPI's Bottom Line Report.

March 11, 2010 – Council Chambers

- Presentation from the Office of the Mayor on Economic Development programs
 - Presentation by Eric Caldwell, from the Office of Chief Operating Officer (Julie Dubick), and Russ Gibbon, of the Office of Economic Growth Services
 - Priority Goals: 1) retaining, attracting, growing business; 2) developing cleantech; 3) getting fair share from Washington/Sacramento; 4) streamlining regulations which inhibit growth
- Report on the City Wide Revenue Audit from the Independent City Auditor
 - Presented by Eduardo Luna
 - Objectives: identify all sources of revenue that are distributed by a 3rd party, determine which entity is responsible for auditing, recommending a strategy for when there is no existing auditing authority, evaluate performance of revenue audit division of the Treasurer's office.
- Economic Competiveness: Commissioner Moser is reaching out to Joe Panetta, Duane Roth, Kevin Carroll.
- Revenue Review: Presentation coming from the IBA on March 25th about wide range of new revenue opportunities, restrictions regarding options, and existing revenue sources. Ms. Tevlin emphasized that these are not recommendations.
- Commissioners unanimously voted to adopt guiding principles on the Structural Deficit Elimination Plan as part of the Commission's findings.

March 25, 2010 – Council Chambers

- Report on the City Wide Revenue Audit from the Independent City Auditor
 - Ind. City Auditor recommended:
 - Business Tax Compliance Program should develop written policies/procedures for the work it performs.
 - Business Tax Compliance Program should expand techniques used for ensuring compliance – including utilization of preventative measures such as informal

employee audits – and determine an alternative method for ensuring accurate business size designation.

- A number of questions from commissioners were answered by the auditor
- Report from the Independent Budget Analyst on Revenue Options for the City
 - Following options were discussed: increasing property taxes, general obligation bonds, parcel taxes, sales and use taxes, utility users tax, transient occupancy tax, property transfer tax, property transfer tax, parking tax, business tax, rental car tax, refuse collection fee, storm water fee, parking fee for parks/beaches, first responder/false alarm fee/911 phone fee, general plan maintenance fee, corporate sponsorships (to be presented)
 - 2nd presentation on “restricted” options, including: TOT, business license tax, franchise fees, parking meter revenue, and lease revenue.
- Ileana Ovalle, representing Cox and Time Warner, expressed concern about increased utility fees that would put cable at a competitive disadvantage.

April 22, 2010 – Council Chambers

- Chester Mordasini of the Teamsters Local 911, representing S.D. lifeguards, emphasized the lifeguard’s interest in corporate sponsorship.
- Presentation from Financial Management on the Five-Year Financial Outlook
- Linkage Fees Presentations/Speakers
 - Report From the Housing Commission on Linkage Fees
 - Presentation from the San Diego Housing Federation:
 - Higher wages to recruit/retain workers is a bigger barrier than paying linkage fees.
 - Presentation from Craig Benedetto, representing BOMA and NAIOP
 - Urged CRRECC to find/recommend that linkage fees are detrimental City’s competitiveness.
 - Freeze fee at current levels or eliminate altogether.
 - Matthew Jumper, San Diego Interfaith Housing Foundation, voiced support of the Housing Federation’s goals, achievements – urged commission to recommend continuing the fee while expanding sources of income for the Trust Fund.
 - Theresa Quiroz, Affordable Housing Coalition: Linkage fees should be raised to at least the average level of linkage fees in other cities.
 - Mike Nagy, San Diego Regional Chamber of Commerce: Do not raise linkage fees.
 - Steve Maciej, San Diego Building Industry Association: Echoed sentiment that the City needs to look for broader sources to fund the Trust.
 - Faith Picking, BLOCOM: New business will not come to San Diego if fees go up.
- Presentations from the Independent Budget Analyst on the City of San Diego Residents Opinions on City Services Survey
- Commission Discussion on the City’s Economic Development Strategy

May 13, 2010 – Council Chambers

- Commission Discussion on Community Meetings
- Commission Discussion on the City’s Economic Development Strategy
- Commission Discussion on Revenue Review
 - Commissioners gave top choices for revenue options

Appendix C

- Presentation from the Small Business Advisory Board on Economic Competitiveness
 - Chairman Dr. Reuben Garcia shared the Board's recommendations to implement a Business Tax Amnesty program and modifying the Historic Review process to create a more expedited process.
- Presentation and discussion on strategies for San Diego Economic Competitiveness
 - Presentation made primarily by Andrew Poat and Craig Benedetto – also present: Matt Adams, Namara Mercer, Joe Terzi, Mike McDowell, Faith Picking.
- Presentation from San Diego Lodging Association: Keeping San Diego Tourism Competitive, by Mike McDowell, Executive Director
 - Tourism is the 3rd largest regional economic sector, represents 11% of total civilian employment.
 - On average, 85,000 visitors to San Diego daily, spending \$20 million, \$7.9 billion in direct economic impact.

June 3, 2010 – Council Chambers

- Commission Discussion on Revenue Review
 - Types of Revenue discussed included:
 - Sales Tax
 - Utility User Tax
 - Reps from Cox and Time Warner expressed concern and asked to be considered exempt.
 - Tax on Parking Receipts
 - Business Tax as percentage of gross receipts
 - Refuse Collection
 - Beach/Bay Parking
 - Accident/Negligence Fee – Dropped from consideration
 - False Fire Alarm recovery fee
 - Sponsorship revenue possibilities
 - Commission needs further info on utility user tax, corporate sponsorships, beach parking, and business fee. Requests Budget & Finance Committee to obtain city data on items.
- Community meetings
 - First two dates were set
 - Proposed plan for community meetings were discussed.

July 1, 2010 – Conference Room A

- Public Comment:
 - Katie Hanson of the California Restaurant Association made a presentation regarding factors influencing the restaurant industry economically.
- Commissioner Comment:
 - Several large cities are streamlining the permitting process online. Making the city's process easier would save time and money.
- Councilmember DeMaio gave insight on online permit system
- DeMaio also spoke on advertising and signage issues.
 - 5 present commissioners present voted to support signage issues and marketing partnerships, and to recommend to recommend a budget and finance committee

- adoption of pilot programs, as well as extending it to the City Council for adoptions of the recommendations.
- Lorin Stewart and Meredith Dibden- Brown from the Tourism and Marketing business and the Office of Small Business presented.
 - Ron Stewart (Exec Dir of TMD) discussed the results of Online Travel Agency, requested TMD term to be extended beyond its pilot period.
 - 5 present commissioners voted to approve extension of TMD for ten years, with Chair Nelson recusing himself from the vote.
- Dr. Gin presented Factors Impacting Regional Competitiveness.
 - Commission discussion followed.
- Public Comment:
 - Evan Becker, Pres and Chair of San Diego Housing Federation
 - Elizabeth Moss: agrees affordable housing is a necessary component.
 - Sue Reynolds: Pres of Community Housing Works: recommended continuing linkage fees.
- Commissioner Discussion on Revenue
- Commission Discussion on Community Meetings
- Written Opposition (from Public) by Chris King: SD Taxpayer's Association: believes tax increase is in conflict with mandates, and city should function within means.

July 14, 2010 – Jacobs Center

- Councilmember Young welcomed everyone to the center and explained the purpose of the commission.
- Public Comment
 - Guy Pruss believes city should raise revenue, lower sales tax, sell stadiums and sports arena, sell trolley, sell convention center, stop funding homeless
 - Kathleen MacLeod (Rosemont Neighborhood Council) urged improvements in code compliance violations.
 - Salameshia Logan spoke about green-collared jobs.
- Bob Nelson gave an overview of the commission
- Breanna Zwart presented an overview of the City's Budget and the citizen survey
- Andrea Moser presented economic competitiveness options (business options and quality of life)
- Roque Barros presented an overview of revenue options
- Citizens had table discussions regarding their support/disapproval of the options presented.
 - Several citizens shared their feelings about the options presented and ranked them by priority.

July 29, 2010 – Pt. Loma Library

- Councilmember Kevin Faulconer welcomed the commission and residents.
- Councilmember Donna Frye spoke regarding the sales tax increase titled "Reform before Revenue."
- Public Comment
 - Jay Shumaker: building tax base through land use decision, airport v. park-like setting
 - Greg Finley: East Miramar would be a viable airport site
 - Bob Ambler: Lindbergh Safety Area

Appendix C

- John Wotzka: Bring manufacturing back to SD.
- John Koufoudakis: decrease waste, don't print forms in other languages, reduce pensions and unreasonable expenses
- Christy Schisler: larger airport with more direct flights, to increase business abilities for manufacturers
- Debbie Pederson: Lindbergh Field
- City Attorney Jan Goldsmith presented on legal issues with sales tax increase
- City Attorney presented on residential refuse fee collection
- Presentation on Keeping the Health Industry Competitive by Michael Bardin, Scripps Health; Sara Steinhoffer, Sharp Health; Steven Escoboza, Hospital Association of San Diego and Imperial Counties
- Andrea Moser presented economic competitiveness proposals
 - A number of citizens commented on possible economic competitiveness options
- Roque Barros presented an overview of revenue options
 - Citizens commented both positively and negatively on various revenue options.
- Motion to support ballot measure "Reform before Revenue" was 3-3 and two not present.

August 26, 2010 – Westfield UTC

- Councilmember Sherri Lightner welcomed the commission and residents. She noted that was Women's Equality Day and looks forward to hearing all of the ideas.
- Presentation from San Diego Coastkeepers regarding a sustainable San Diego, by Bruce Reznick, Executive Director.
 - Spoke about water quality, tourism, water supply, transit issues, and a general vision for the city.
- Breanna Zwart gave an overview of the city's budget and the citizen's survey
- Andrea Moser presented relevant economic competitiveness proposals.
- Public Comment on economic competitiveness:
 - Joe LaCava, La Jolla Community Planning Association, discussed development and schools/workforce.
 - Janay Kruger, University Community Planning Group believes it is a continuing battle to get money for infrastructure
- Four revenue options were presented.
- Public Comment on revenue options:
 - Doug Williamson: logistics of container size for refuse collection, and questions about recycling
 - Joe LaCava: Believes the city needs to consider parking fees at other locations, concerned about the business tax, and generally accepting of raising taxes, but should be direct benefits.'
- Commission Work Plan was approved.
- Discussion of Memo from Office of the Mayor from Julie Dubick.

September 9, 2010 – Council Chambers

- Presentation of Creating an Economic Competitive Workforce by Richard Barrera, San Diego Unified School Board, Vice President.

- Shared ideas about ways city can help prepare and invest in a quality workforce, such as: professional development of science teachers, expansion of internships for high school students, and creation or expansion of broadband network throughout the city.
- Comparison of Refuse Collection Fees within San Diego County, presented by Lisa Byrne, Office of Independent Budget Analysis.
- Discussion of Draft Report
 - Citizen and Commissioner commentary

September 23, 2010 – Lewis Middle School

- Presentation on Preparing Our Emerging Workforce from the San Diego Workforce Partnership, by Margie de Ruyter, Director of Youth Division.
 - San Diego is failing compared to other cities, at engaging the youth workforce.
 - Teen employment rates are lowest they have been since WWII.
 - Number of benefits from youth employment.
- Discussion of Draft Report.
 - General framework for report was discussed, including title, definitions, and motivations for forming the commission.
 - Quality of life matters will be grouped together in report.
 - Further input from absent commission members is necessary.
 - Statistics and information should be included for support throughout the report.

October 7, 2010 – Council Chambers

- “Open for Business: Action Plan to make San Diego the Most Friendly City in America for Small Business” from the Office of Councilmember Carl DeMaio was provided, without presentation.
- Discussion of Draft Report.
 - Report should reflect consensus of commission’s recommendations, but not necessarily all will agree on everything.
 - Simple approach to report should be used—introduction, who the commission talked to, conclusions and supporting facts.
 - Give evidence to City Council of options
 - Report should include some kind of summary
 - People are more willing to pay if measures are earmarked.
 - Most prominent issues should be highlighted
 - Distinguish solutions that can be dealt with internally, versus citizen vote

October 21, 2010 – Council Chambers

- Discussion of Draft Report.
 - Ensure concerns of all communities are captured in the report.
 - Everyone present approved recommendation to leave linkage fees at current rates.
 - Residents support fees before taxes.
 - Focus on what the City Council can implement quickly.
 - Commissioners felt not all items on competitiveness side need to be ranked; they can all be completed, so focus more on prioritizing revenue options.
 - Grouping/clustering my topic area is effective.

November 9, 2010 – Council Committee Room

Appendix C

- Discussion of Draft Report
 - Style and tone changes were made in several portions of the report.
 - Trash collection data percentages were updated.
 - Sales tax portion will be shortened.
 - Peer cities language will be changed to reflect California cities, not out-of-state.
 - Reiterate fees are preferred over taxes.
 - Ensure consistency when portions of the report discuss the same thing in multiple areas.

PRESENTATIONS TO THE COMMISSION

Date	Topic	Presenter	Affiliation
02/11/2010	Economic Competitiveness	Julie Meier-Wright, CEO	Economic Development Corp.
02/11/2010	Update on Revenues from Comparative Cities	Dr. Baxamusa and Jason Everitt	Center for Policy Initiative
02/25/2010	Economic Competitiveness	Meredith Dibden-Brown	Office of the Small Business
02/25/2010	Supporting Small Businesses: Improving the Relationship and Interaction Between City Government and Small Businesses	Councilmember DeMaio	Office of Councilmember DeMaio
03/11/2010	Economic Development Programs	Eric Caldwell (Office of COO) Russ Gibbon (Office of Economic Growth Services)	Office of the Mayor
03/11/2010 03/25/2010	Report on Citywide Revenue Audit	Eduardo Luna	Office of the Independent City Auditor
03/25/2010	Report on Revenue Options; Report on Restricted Revenues	Melinda Nickelberry; Elaine DuVal	Office of the Independent Budget Analyst
04/08/2010	Corporate Sponsorships	Jenny Wolf	Office of Mayor
04/22/2010	Linkage Fees	Rick Gentry & Carrol Vaughan	Housing Commission
04/22/2010	Five year financial Outlook	Mary Lewis	Office of Financial Management
04/22/2010	Linkage Fees	Tom Scott	San Diego Housing Federation
04/22/2010	San Diegans for Job Promotion, Creation & Retention	Craig Benedetto	Building Owners and Managers Association and NAIOP (Commercial Real Estate Development Association)
04/22/2010	City of San Diego Residents Opinions on City Services Survey	Andrea Tevlin	Office of the Independent Budget Analyst
05/13/2010	Economic Competitiveness	Dr. Reuben Garcia	Small Business Advisory Board
05/13/2010	Economic Competitiveness	Andrew Poat; Craig Benedetto (several others present)	
05/13/2010	Keeping San Diego Tourism Competitive	Mike McDowell	San Diego Lodging Association
07/29/2010	Items on Ballot; Refuse	Jan Goldsmith	City Attorney

Appendix D

	Collection		
07/29/2010	Keeping the Health Industry Competitive	Michael Bardin; Sara Steinhoffer; Steven Escoboza	Scripps Health; Sharp Health; Hospital Association of San Diego and Imperial Counties
08/26/2010	Sustainable San Diego	Bruce Reznick	San Diego Coastkeeper
09/09/2010	Creating an Economic Competitive Workforce	Richard Barrera	San Diego Unified School District
09/09/2010	Comparison of Refuse Collection Fees within San Diego County	Lisa Byrne	Office of Independent Budget Analyst
09/23/2010	Preparing our Emerging Workforce	Margie de Ruyter	Director of Youth Division of San Diego Workforce Partnership
10/07/2010	“Open for Business: Action Plan to make San Diego the Most Friendly City in America for Small Business”	Only paper presented.	Councilmember DeMaio

CITY OF SAN DIEGO
RESIDENTS' OPINIONS ON CITY SERVICES

April 2010

Prepared for
City of San Diego

Prepared by
Behavior Research Center, Inc.
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Phoenix, Arizona 85012
(602) 258-4554

TABLE OF CONTENTS

	Page
INTRODUCTION	1
OVERVIEW OF THE FINDINGS	2
DETAIL OF THE FINDINGS	15
EVALUATION OF CITY IN SELECTED AREAS	15
ATTITUDE ABOUT HOW ESSENTIAL SELECTED CITY SERVICES ARE	17
SATISFACTION WITH CITY SERVICES	18
CITY SPENDING PRIORITIES	20
REACTION TO SELECT STRATEGIES TO DEAL WITH BUDGET DEFICIT	23
SAN DIEGO AS A PLACE TO LIVE	26
QUALITY OF LIFE IN SAN DIEGO	27
LIKELIHOOD OF RECOMMENDING SAN DIEGO/REMAINING IN SAN DIEGO	28
MOST SERIOUS ISSUE FACING RESIDENTS	29
ATTITUDES ABOUT SAFETY IN SAN DIEGO	30
SOURCES OF INFORMATION	31
APPENDIX	32
METHODOLOGY	32
SURVEY QUESTIONNAIRE	35

LIST OF TABLES

TABLE 1: EVALUATION OF CITY IN SELECTED AREAS	16
TABLE 2: ATTITUDE ABOUT HOW ESSENTIAL SELECTED CITY SERVICES ARE	17
TABLE 3: SATISFACTION WITH CITY SERVICES	19
TABLE 4: WILLINGNESS TO PAY MORE TO MAINTAIN CITY SERVICES	20
TABLE 5: PRIORITY SPENDING INDEX	22
TABLE 6: REACTION TO SELECT STRATEGIES TO DEAL WITH BUDGET DEFICIT	23
TABLE 7: REACTION TO SELECTED STRATEGIES TO DEAL WITH BUDGET DEFICIT – DETAIL	24
TABLE 8: OTHER SUGGESTIONS TO REDUCE DEFICIT	25
TABLE 9: SAN DIEGO AS A PLACE TO LIVE	26
TABLE 10: QUALITY OF LIFE IN SAN DIEGO	27
TABLE 11: LIKELIHOOD OF TAKING SELECTED STEPS	28
TABLE 12: MOST SERIOUS ISSUE FACING RESIDENTS	29
TABLE 13: ATTITUDES ABOUT SAFETY IN SAN DIEGO	30
TABLE 14: SOURCES OF INFORMATION	31

INTRODUCTION

This study was commissioned by the City of San Diego, California. The primary purpose of this effort was to measure how residents prioritize City services and solutions to the City's budget challenges. More specifically, this study addressed the following issues:

- Evaluation of City in selected areas
- Attitude about how essential selected City services are
- Satisfaction with City services
- City spending priority
- Reaction to select strategies to deal with budget deficit
- San Diego as a place to live
- Quality of life in San Diego
- Likelihood of recommending San Diego/remaining in San Diego
- Most serious issue facing residents
- Attitudes about safety in San Diego
- Sources of information

The information contained in this report is based on a scientific random sample of 600 San Diego heads of household. All of the interviewing on this project was conducted via telephone by professional interviewers of the Behavior Research Center during March 2010. For a detailed explanation of the procedures followed during this project, please refer to the Methodology section of this report.

The information generated from this study is presented in three sections in this report. The first section, OVERVIEW, presents the primary findings of the survey in a brief summary format. The second section, SUMMARY OF THE FINDINGS, reviews each study question in detail. The final section, APPENDIX, details the study methodology and contains a copy of the survey questionnaire.

The Behavior Research Center has presented the data germane to the basic research objectives of this project. However, if City elected officials or management staff requires additional data retrieval or interpretation, we stand ready to provide such input.

BEHAVIOR RESEARCH CENTER, INC.

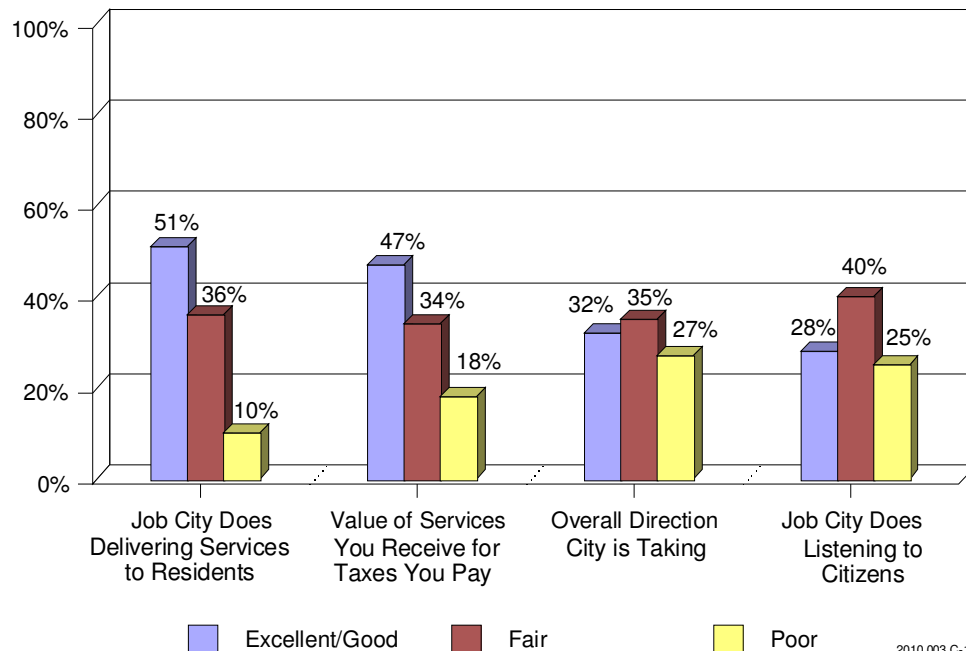
OVERVIEW OF THE FINDINGS

• EVALUATION OF CITY IN SELECTED AREAS (TABLE 1)

San Diego residents were asked to evaluate the City in four specific areas:

- Job City Does Delivering to Residents. A slight majority of residents (51%) offer a positive evaluation on the job the City does delivering services with six percent offering an excellent rating and 45 percent a good rating. Thirty-six percent offer a fair rating and ten percent a poor rating. These figures are relatively consistent across population subgroups.
- Value of Services You Receive for Taxes You Pay. Less than a majority of residents (47%) give the City a positive reading for the value of the services they receive for the taxes they pay (6% excellent, 41% good), while 34 percent offer a fair rating. The positive readings tend to increase with age and are higher among whites (53%) than minorities (37%).
- Overall Direction City is Taking. Nearly equal volumes of residents offer positive (32%) and negative (27%) ratings regarding the overall direction the City is taking. An additional third of residents (35%) offer only a fair rating.
- Job City Does Listening to Citizens. Only 28 percent of residents offer a positive rating on the job the City does listening to residents, while 25 percent offer a negative rating and 40 percent a fair rating. These readings are consistent across population subgroups.

EVALUATION OF CITY IN SELECTED AREAS

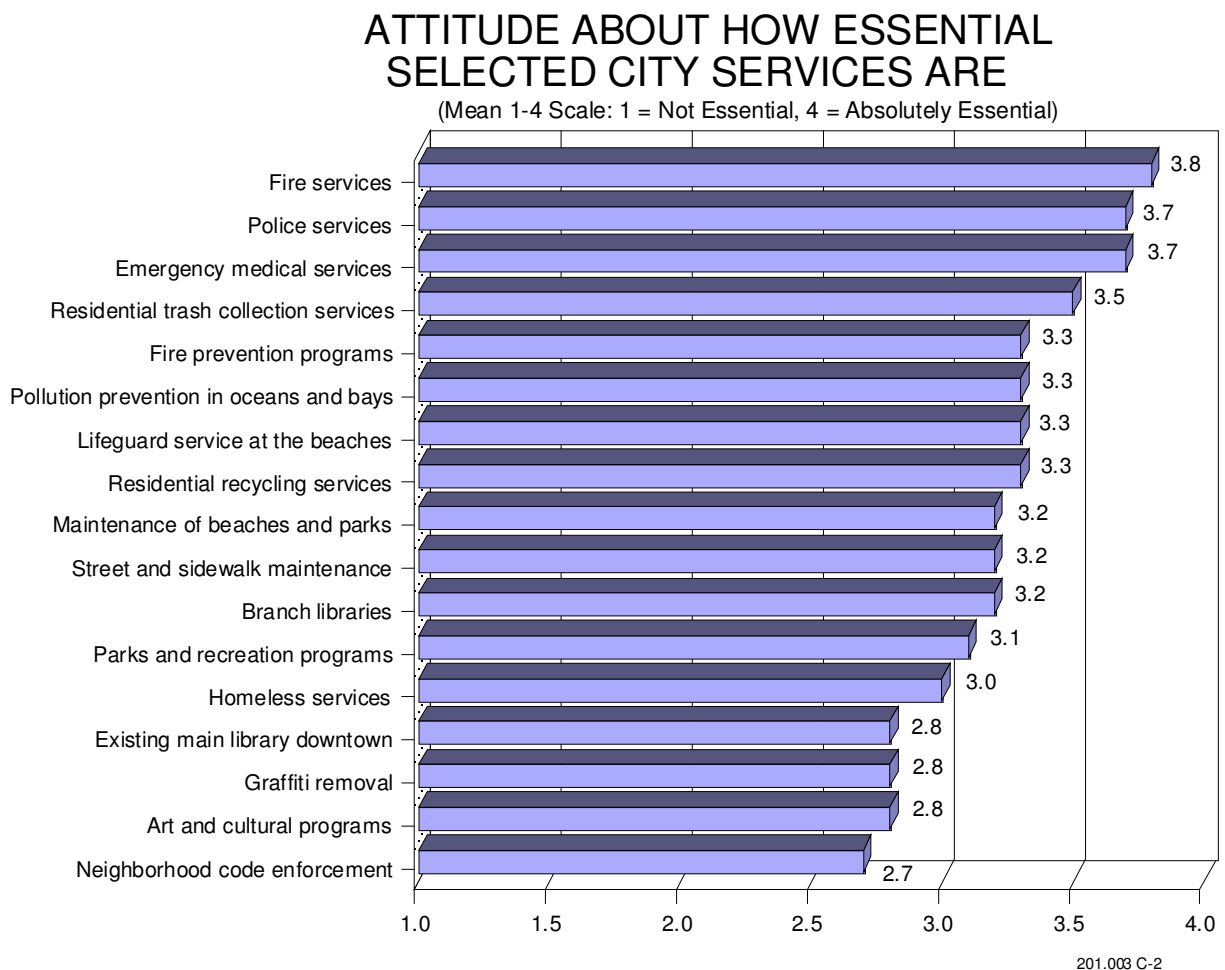


Appendix E

• ATTITUDE ABOUT HOW ESSENTIAL SELECTED CITY SERVICES ARE (TABLE 2)

When San Diego residents are asked to indicate how essential they feel each of 17 City services are on a scale of one (not essential) to four (absolutely essential), five of the services receive “absolutely essential” readings from a majority of residents with mean readings of 3.3 or more: 1) fire services (83%, 3.8); 2) police services (78%, 3.7); 3) emergency medical services (76%, 3.7); 4) residential trash collection services (62%, 3.5); 5) fire prevention programs (52%, 3.3).

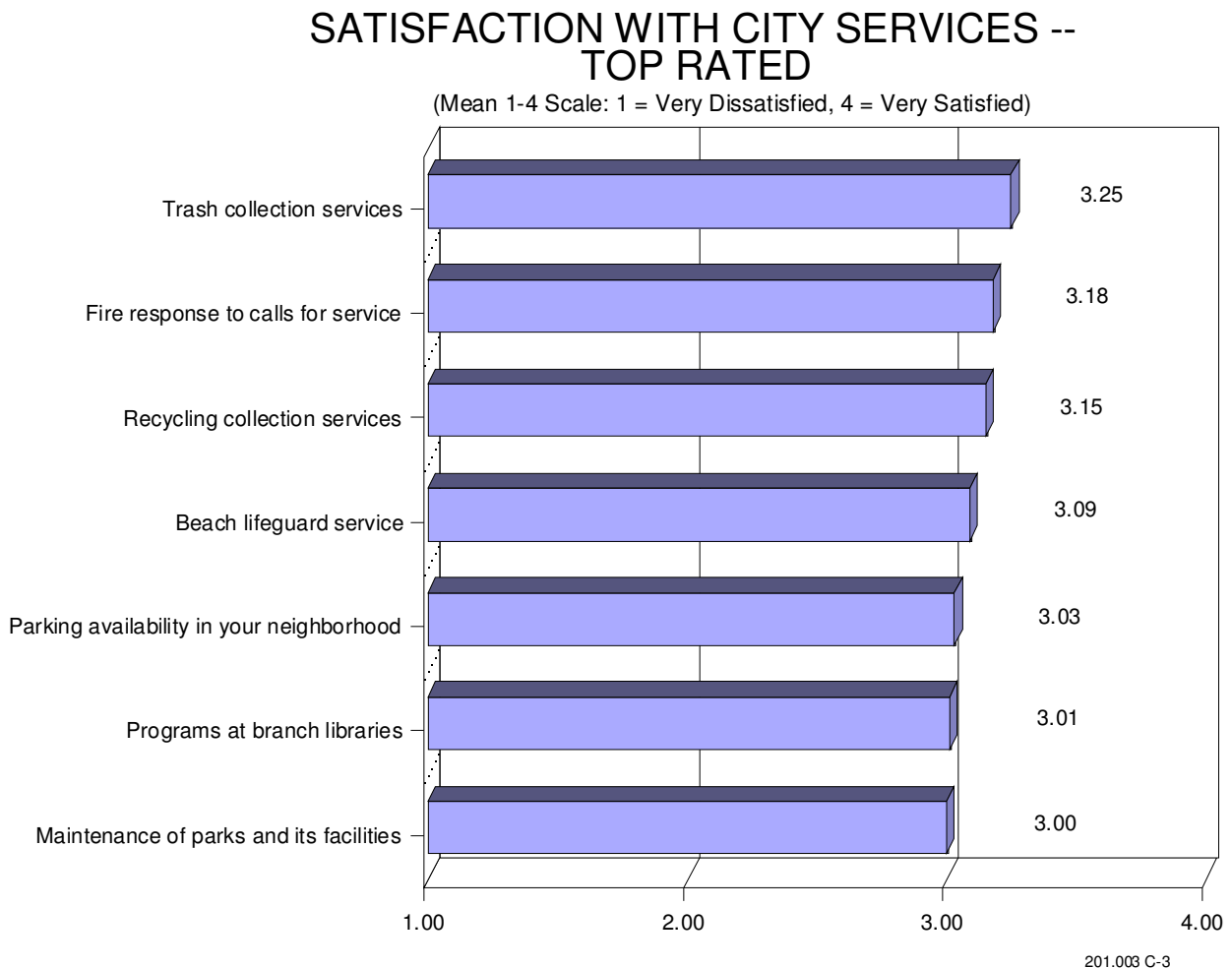
Those services which receive the lowest readings are: 1) neighborhood code enforcement (23%, 2.7); 2) art and cultural programs (23%, 2.8) and; 3) graffiti removal (24%, 2.8).



- **SATISFACTION WITH CITY SERVICES (TABLE 3)**

San Diego residents were asked to reveal their level of satisfaction with each of 25 services provided by the City using a four-point scale (very dissatisfied -- very satisfied). Receiving the highest satisfaction readings from residents are seven categories with ratings of 3.00 or higher:

- Trash collection services (3.25)
- Fire response to calls for service (3.18)
- Recycling collection services (3.15)
- Beach lifeguard service (3.09)
- Parking availability in your neighborhood (3.03)
- Programs at branch libraries (3.01)
- Maintenance of parks and its facilities (3.00)



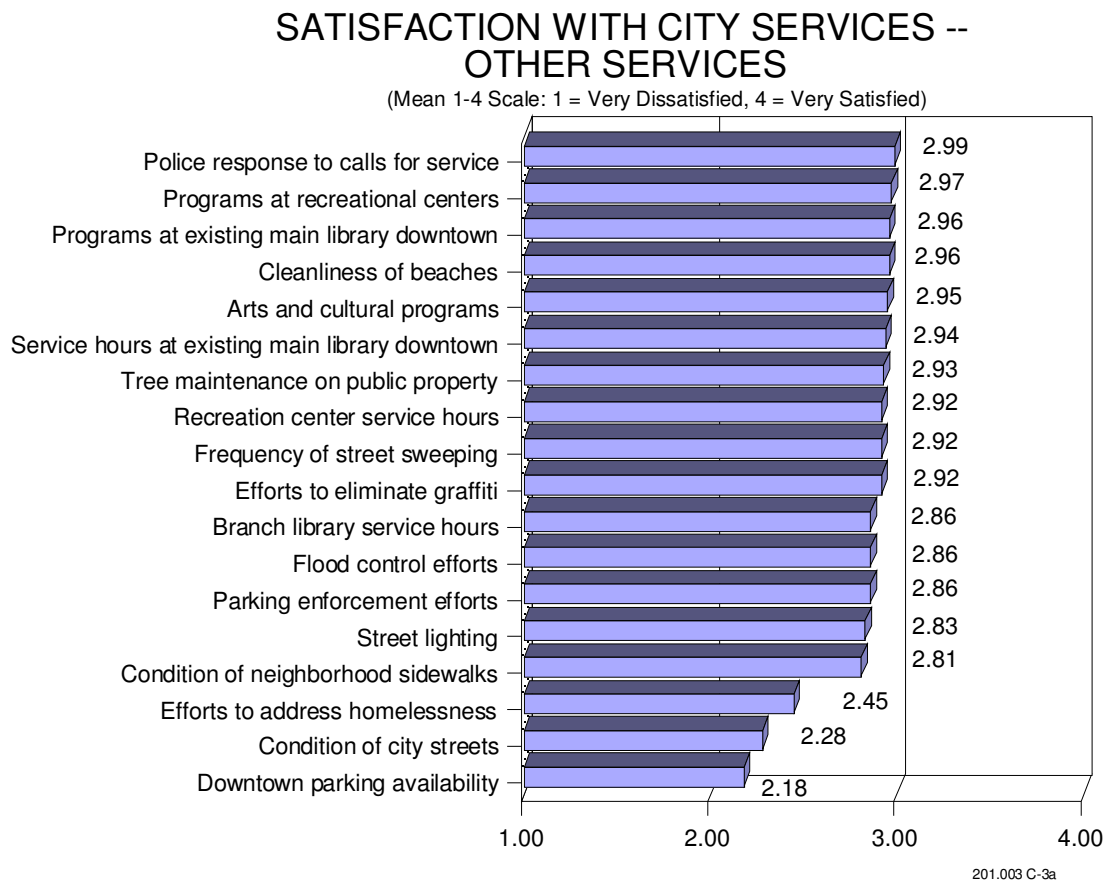
Appendix E

Also receiving positive ratings between 2.81 and 2.99 are 15 additional City services:

- Police response to calls for service (2.99)
- Programs at recreational centers (2.97)
- Programs at existing main library downtown (2.96)
- Cleanliness of beaches (2.96)
- Arts and cultural programs (2.95)
- Service hours at existing main library downtown (2.94)
- Tree maintenance on public property (2.93)
- Recreation center service hours (2.92)
- Frequency of street sweeping (2.92)
- Efforts to eliminate graffiti (2.92)
- Branch library service hours (2.86)
- Flood control efforts (2.86)
- Parking enforcement efforts (2.86)
- Street lighting (2.83)
- Conditions of neighborhood sidewalks (2.81)

The final three City services studied receive low ratings under 2.50:

- Efforts to address homelessness (2.45)
- Condition of City streets (2.28)
- Downtown parking availability (2.18)



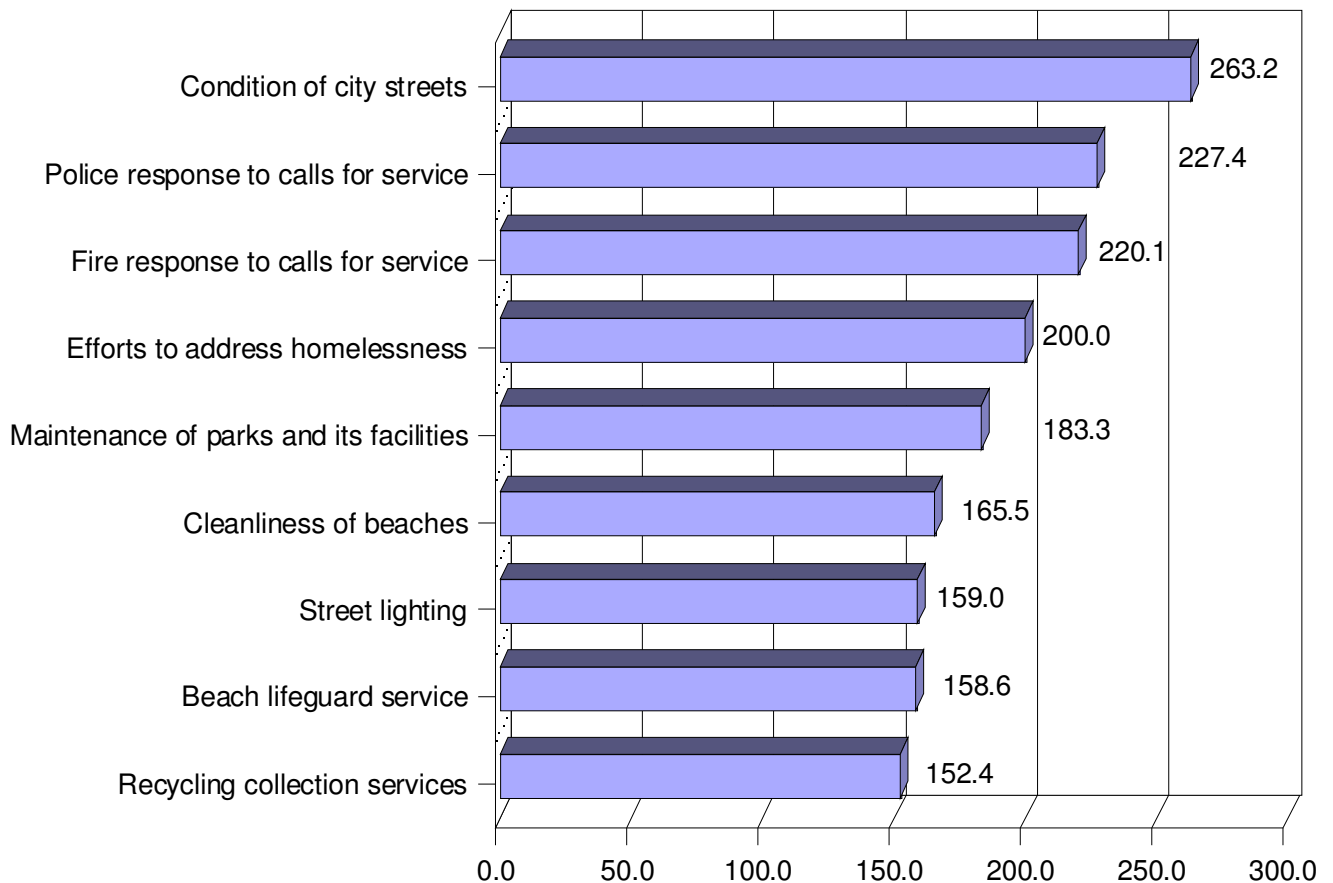
• **CITY SPENDING PRIORITIES (TABLES 4-5)**

After residents had evaluated each of the 25 service areas under consideration, they were asked to indicate whether they would or would not be willing to pay more for them through taxes or fees in order to maintain them or avoid further cuts. This information was then correlated with the service satisfaction ratings to create a Priority Spending Index which affords higher spending priority to those services that receive lower satisfaction ratings. This line of inquiry reveals nine service areas which receive Priority Spending Index readings of 150.0 or more:

- Condition of City streets (263.2)
- Police response to calls for service (227.4)
- Fire response to calls for service (220.1)
- Efforts to address homelessness (200.0)
- Maintenance of parks and its facilities (183.3)
- Cleanliness of beaches (165.5)
- Street lighting (159.0)
- Beach lifeguard service (158.6)
- Recycling collection services (152.4)

Note: Index calculated by dividing willingness to pay more for a service by mean rating of service

PRIORITY SPENDING INDEX -- TOP PRIORITIES



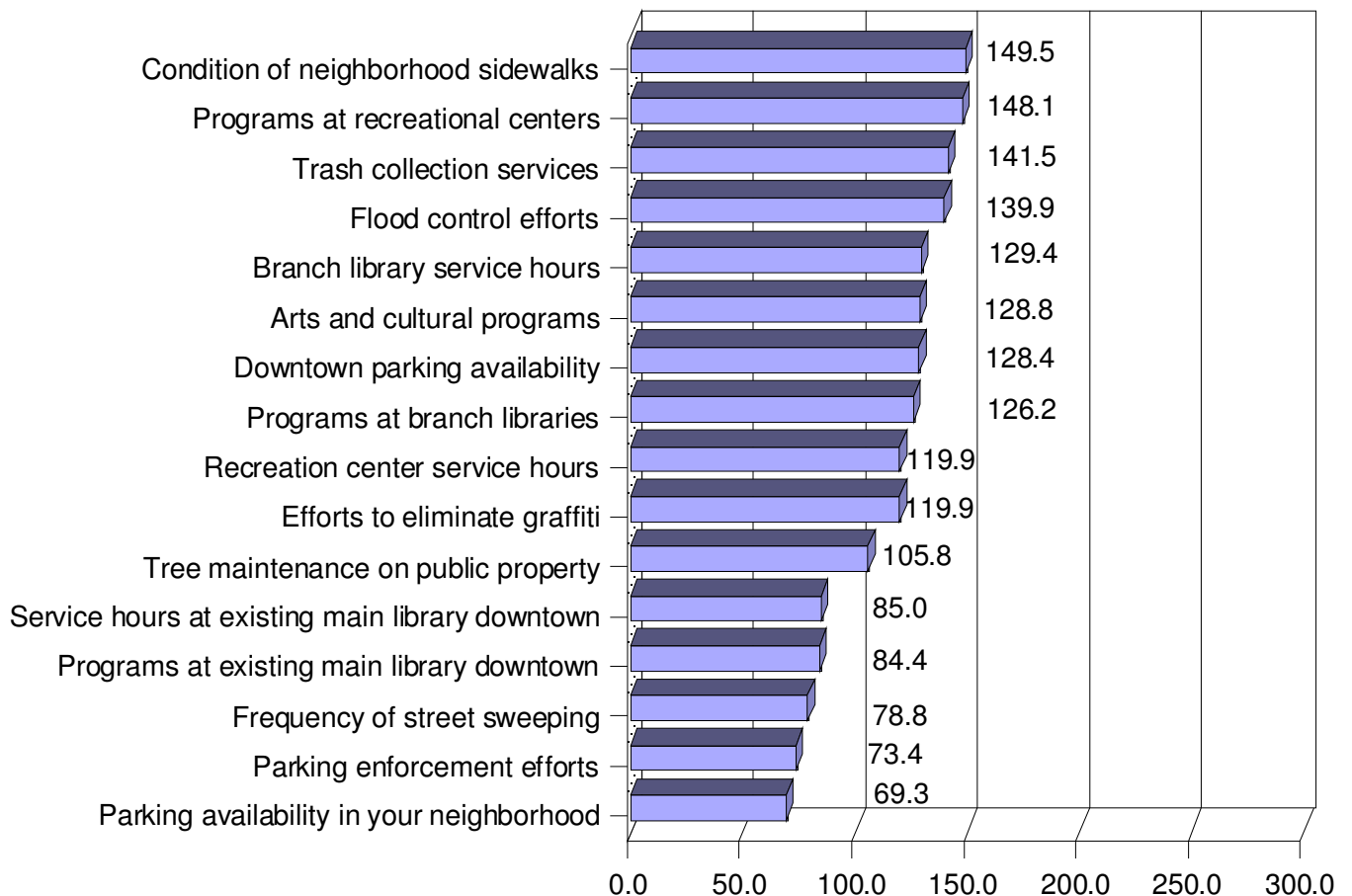
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Appendix E

Each of the remaining services receives an Index reading below 150.0 with five services receiving readings under 100.0:

- Service hours at existing main library downtown (85.0)
- Programs at existing main library downtown (84.4)
- Frequency of street sweeping (78.8)
- Parking enforcement efforts (73.4)
- Parking availability in your neighborhood (69.3)

PRIORITY SPENDING INDEX -- OTHER PRIORITIES



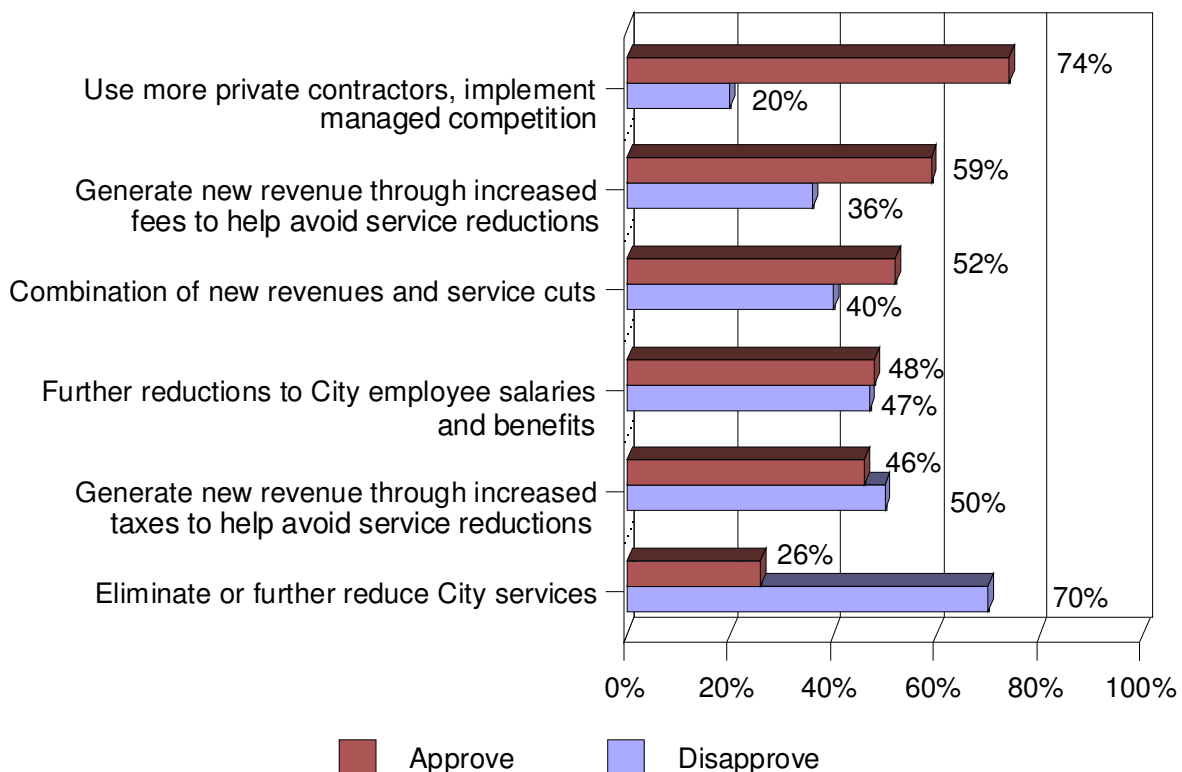
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• **REACTION TO SELECT STRATEGIES TO DEAL WITH BUDGET DEFICIT (TABLES 6-7)**

When residents are asked if they approve or disapprove of each of six strategies to deal with the City's budget deficit, one strategy, "use more private contractors, implement managed competition," receives approval from 74 percent of residents (20% strongly approve/54% approve) with disapproval of only 20 percent. Two additional strategies also receive approval from a majority of residents, but generate significant disapproval readings: 1) generate new revenue through increased fees to help avoid service reductions (59% approve [5% strongly approve/54% approve]/36% disapprove); 2) combination of new revenues and service cuts (52% approve [6% strongly approve/46% approve]/40% disapprove). Each of the three remaining strategies receive disapproval readings which are nearly equal to or exceed their approval readings:

- Further reductions to City employee salaries and benefits (48% approve/47% disapprove)
- Generate new revenue through increased taxes to help avoid service reductions (46% approve/50% disapprove)
- Eliminate or further reduce City services (26% approve/70% disapprove)

REACTION TO SELECT STRATEGIES TO DEAL WITH BUDGET DEFICIT

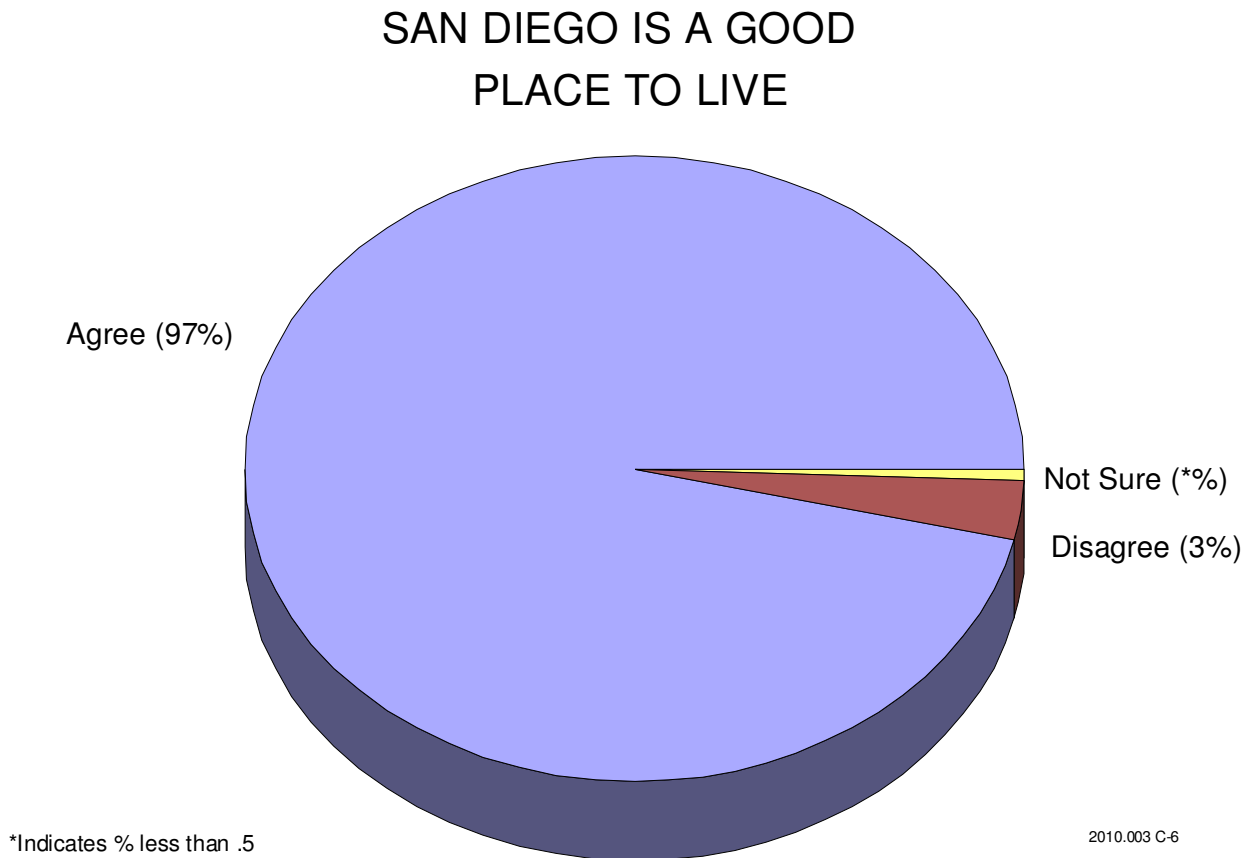


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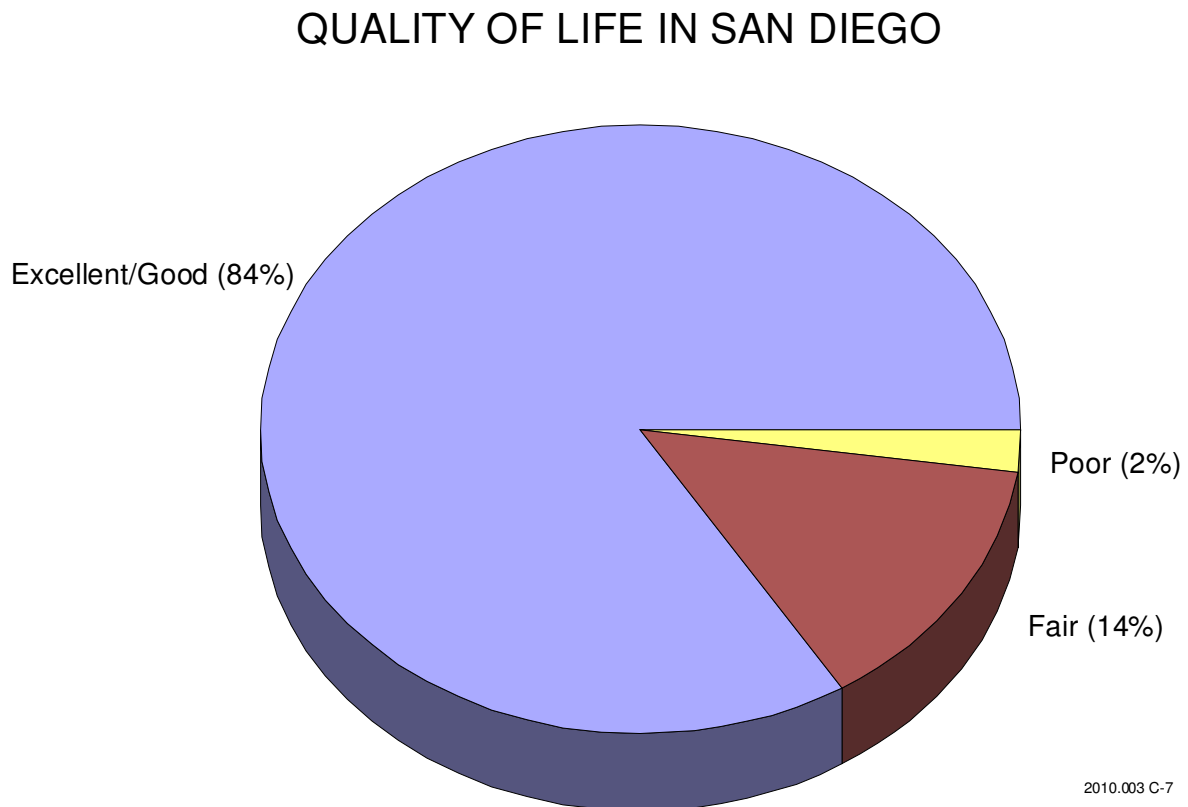
- **SAN DIEGO AS A PLACE TO LIVE (TABLE 9)**

Better than nine out of ten San Diego residents (97%) either strongly agree (47%) or agree (50%) that “overall San Diego is a good place to live.”



- **QUALITY OF LIFE IN SAN DIEGO (TABLE 10)**

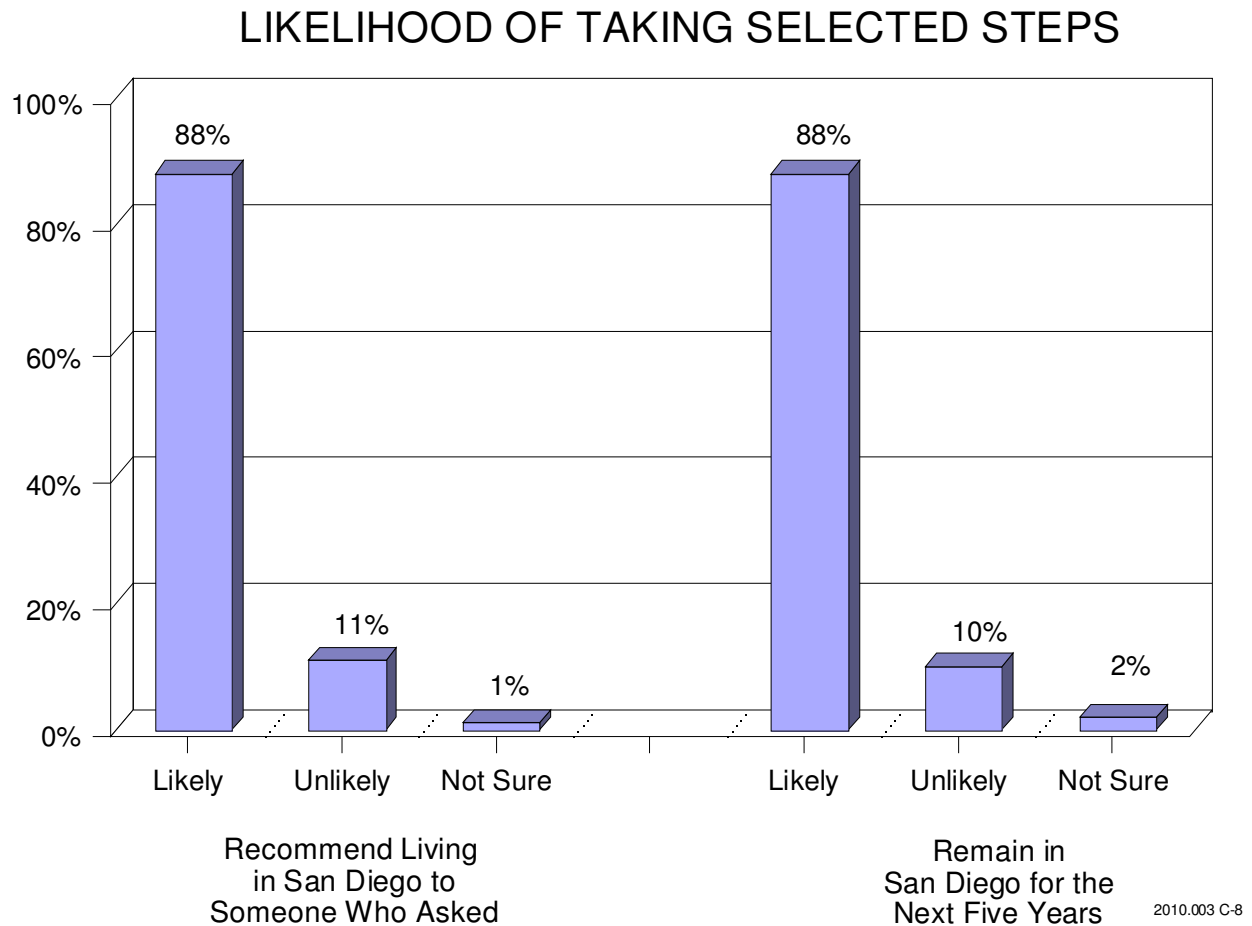
Residents rate the quality of life in San Diego very highly, with over eight out of ten residents (84%) indicating it is either excellent (31%) or good (53%). In comparison, 14 percent of residents rate the quality of life as fair, while only two percent rate it as poor.



Appendix E

- **LIKELIHOOD OF RECOMMENDING SAN DIEGO/REMAINING IN SAN DIEGO (TABLE 11)**

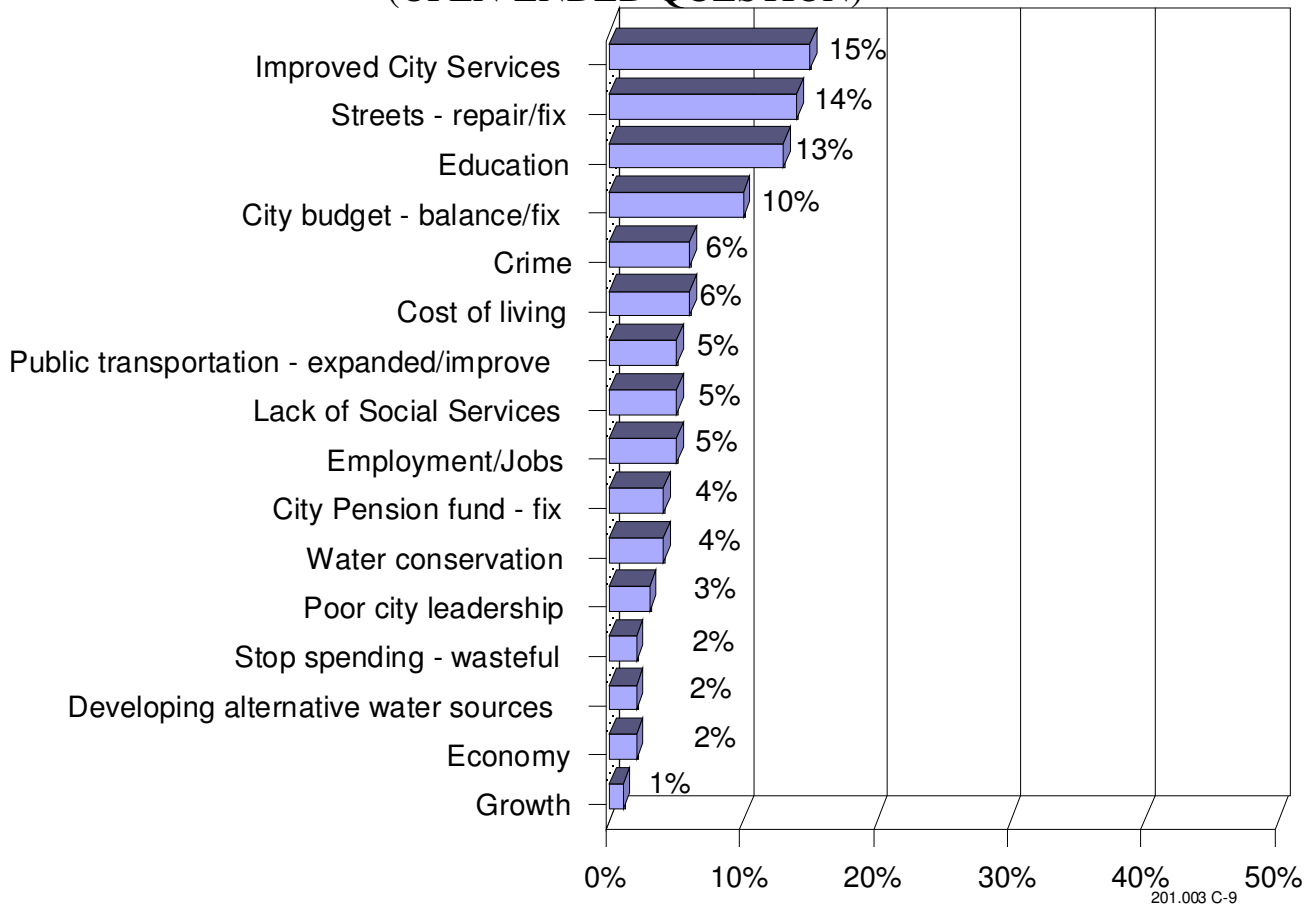
Nearly nine out of ten residents (88%) indicate that they are likely to either recommend San Diego as a place to live (49% very likely/39% somewhat likely) or to remain in San Diego for the next five years (66% very likely/22% somewhat likely).



- **MOST SERIOUS ISSUE FACING RESIDENTS (TABLE 12)**

When San Diego residents are asked to indicate the most serious issue facing residents with respect to services provided by the City, improved city services, street repairs, education and fixing the budget lead the list.

**MOST SERIOUS ISSUES FACING RESIDENTS
RESIDENTS WITH RESPECT TO CITY-PROVIDED SERVICES
(OPEN-ENDED QUESTION)**

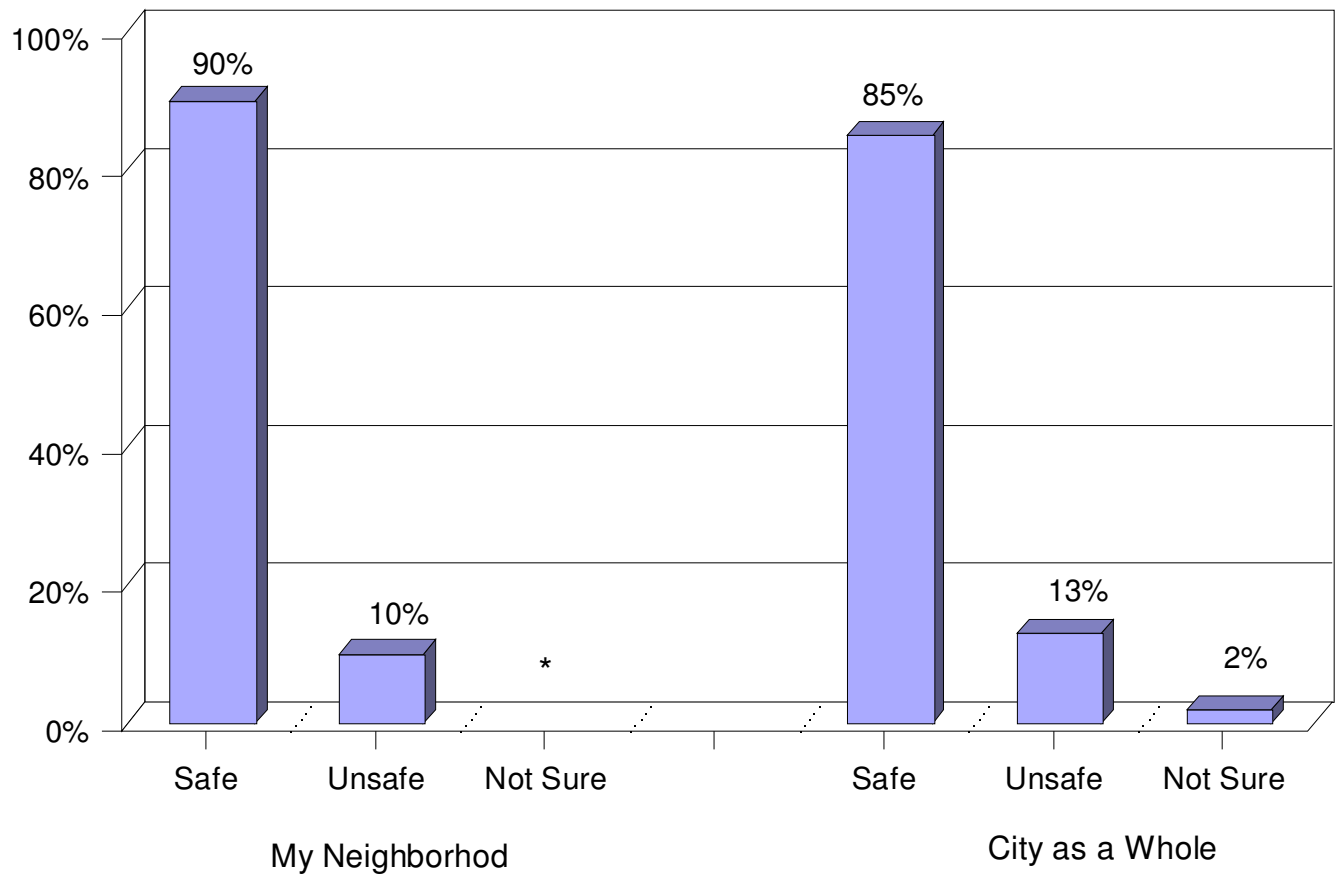


Appendix E

- **ATTITUDES ABOUT SAFETY IN SAN DIEGO (TABLE 13)**

Ninety percent of residents rate the safety in their neighborhood in positive terms (39% very safe/51% somewhat safe), while 85 percent rate the safety in the City as a whole in positive terms (12% very safe/73% somewhat safe). These readings are slightly improved from a similar resident survey conducted for the City of San Diego in 2004 (86% positive neighborhood, 77% positive City as a whole).

SAFETY IN SAN DIEGO

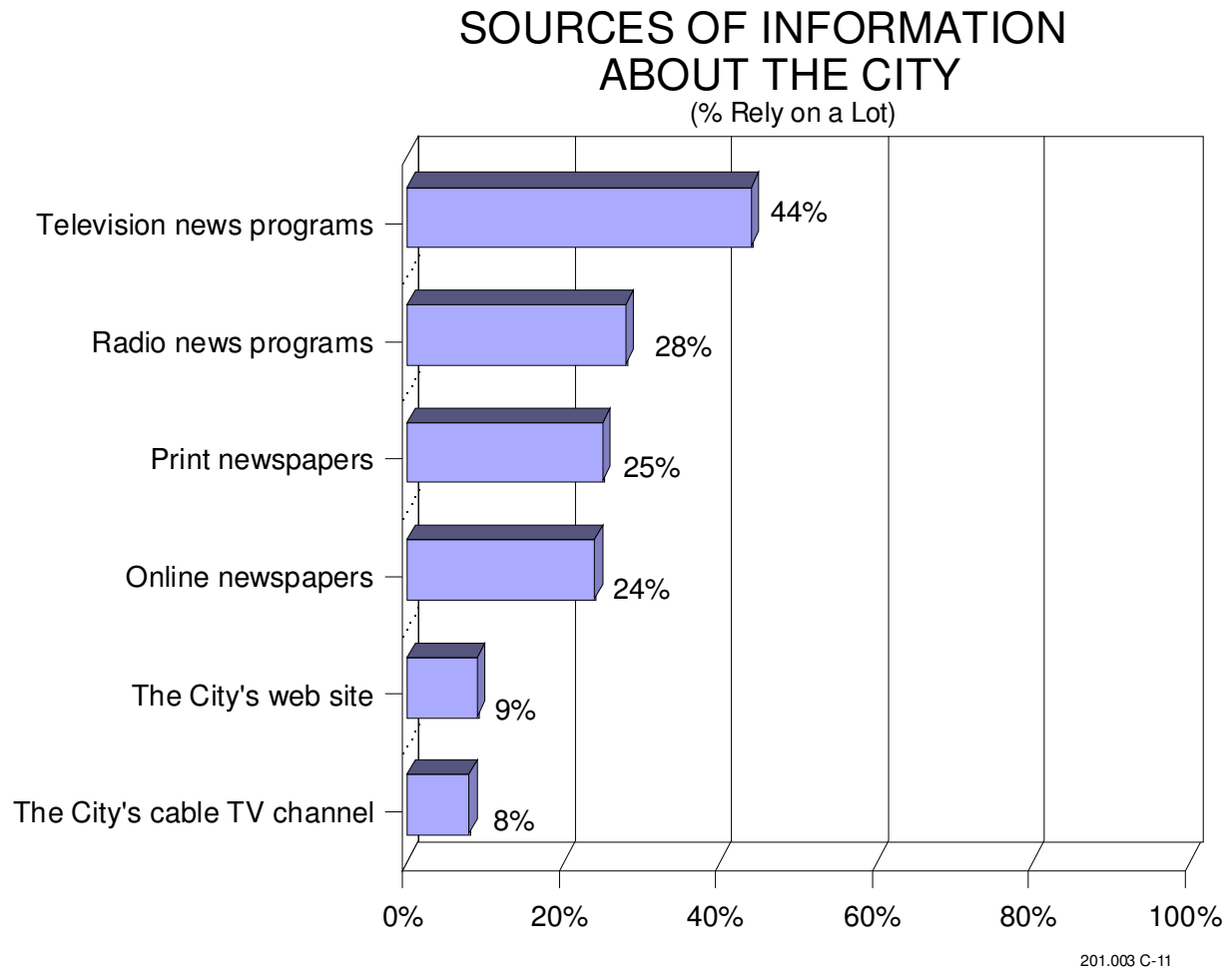


*Indicates % less than .5

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- **SOURCES OF INFORMATION (TABLE 14)**

The most commonly relied on source of information about what is happening in the City of San Diego is local television programs with 44 percent of residents indicating they rely on such programs a lot. In comparison, 28 percent rely on radio news programs a lot, while 25 percent rely on print newspapers a lot and 24 percent rely on online newspapers a lot. The data also reveals that few residents rely on either the City's website or cable TV channel a lot (9% and 8%, respectively).



DETAIL OF THE FINDINGS

EVALUATION OF CITY IN SELECTED AREAS

San Diego residents were asked to evaluate the City in four specific areas:

Job City Does Delivering to Residents

A slight majority of residents (51%) offer a positive evaluation on the job the City does delivering services with six percent offering an excellent rating and 45 percent a good rating. Thirty-six percent offer a fair rating and ten percent a poor rating. These figures are relatively consistent across population subgroups.

Value of Services You Receive for Taxes You Pay

Less than a majority of residents (47%) give the City a positive reading for the value of the services they receive for the taxes they pay (6% excellent, 41% good), while 34 percent offer a fair rating. The positive readings tend to increase with age and are higher among whites (53%) than minorities (37%).

Overall Direction City is Taking

Nearly equal volumes of residents offer positive (32%) and negative (27%) ratings regarding the overall direction the City is taking. An additional third of residents (35%) offer only a fair rating.

Job City Does Listening to Citizens

Only 28 percent of residents offer a positive rating on the job the City does listening to residents, while 25 percent offer a negative rating and 40 percent a fair rating. These readings are consistent across population subgroups.

TABLE 1: EVALUATION OF CITY
IN SELECTED AREAS

“Next, would you rate each of the following as excellent, good, fair or poor?”

	Job City Does Delivering Services to Residents	Value of Services You Receive for Taxes You Pay	Overall Direction City is Taking	Job City Does Listening to Citizens
Excellent	6%	6%	4%	2%
Good	45	41	28	26
Fair	36	34	35	40
Poor	10	18	27	25
Not sure	<u>3</u>	<u>1</u>	<u>6</u>	<u>7</u>
	100%	100%	100%	100%

TOTAL EXCELLENT/GOOD

	Job City Does Delivering Services to Residents	Value of Services You Receive for Taxes You Pay	Overall Direction City is Taking	Job City Does Listening to Citizens
<u>TOTAL</u>	51%	47%	32%	28%
<u>GENDER</u>				
Male	49	49	33	28
Female	53	45	31	27
<u>AGE</u>				
Under 35	49	44	38	30
35 to 49	54	43	28	28
50 to 64	46	49	25	25
65 or over	58	61	42	30
<u>ETHNICITY</u>				
White	55	53	31	29
Minority	45	37	33	27
<u>INCOME</u>				
Under \$30,000	54	46	35	28
\$30,000 to \$59,999	47	37	32	26
\$60,000 to \$89,999	49	51	30	33
\$90,000 or over	52	47	29	25

~~~~~

## Appendix E

### ATTITUDE ABOUT HOW ESSENTIAL SELECTED CITY SERVICES ARE

San Diego residents were asked to indicate how essential they felt each of 17 City services are on a scale of one (not essential) to four (absolutely essential). As may be seen on the following table, five of the services receive “absolutely essential” reading from a majority of residents with mean readings of 3.3 or more:

- Fire services (83%, 3.8)
- Police services (78%, 3.7)
- Emergency medical services (76%, 3.7)
- Residential trash collection services (62%, 3.5)
- Fire prevention programs (52%, 3.3)

Those services which receive the lowest readings are: 1) neighborhood code enforcement (23%, 2.7); 2) art and cultural programs (23%, 2.8) and; 3) graffiti removal (24%, 2.8).

**TABLE 2: ATTITUDE ABOUT HOW ESSENTIAL  
SELECTED CITY SERVICES ARE**

“As you know, the City of San Diego provides various services to the community. On a scale of 1 to 4 where 1 means you think a service is not essential and 4 means you think a service is absolutely essential, how essential do you feel each of the following City services are?”

|                                            | Not<br>Essential<br>1 | 2  | 3   | Absolutely<br>Essential<br>4 | Not<br>Sure | MEAN<br>RATING <sup>1</sup> |
|--------------------------------------------|-----------------------|----|-----|------------------------------|-------------|-----------------------------|
| Fire services                              | 1%                    | 3% | 12% | 83%                          | 1%          | 3.8                         |
| Police services                            | 2                     | 3  | 16  | 78                           | 1           | 3.7                         |
| Emergency medical services                 | 2                     | 4  | 17  | 76                           | 1           | 3.7                         |
| Residential trash collection<br>services   | 3                     | 6  | 28  | 62                           | 1           | 3.5                         |
| Fire prevention programs                   | 3                     | 14 | 28  | 52                           | 3           | 3.3                         |
| Pollution prevention in oceans<br>and bays | 4                     | 12 | 34  | 48                           | 2           | 3.3                         |
| Lifeguard service at the beaches           | 2                     | 14 | 34  | 47                           | 3           | 3.3                         |
| Residential recycling services             | 4                     | 14 | 33  | 48                           | 1           | 3.3                         |
| Maintenance of beaches and<br>parks        | 1                     | 15 | 42  | 41                           | 1           | 3.2                         |
| Street and sidewalk maintenance            | 4                     | 13 | 41  | 42                           | *           | 3.2                         |
| Branch libraries                           | 4                     | 16 | 38  | 41                           | 1           | 3.2                         |
| Parks and recreation programs              | 2                     | 19 | 42  | 36                           | 1           | 3.1                         |
| Homeless services                          | 6                     | 22 | 37  | 32                           | 3           | 3.0                         |
| Existing main library downtown             | 12                    | 22 | 31  | 29                           | 6           | 2.8                         |
| Graffiti removal                           | 7                     | 32 | 35  | 24                           | 2           | 2.8                         |
| Art and cultural programs                  | 10                    | 26 | 40  | 23                           | 1           | 2.8                         |
| Neighborhood code enforcement              | 12                    | 25 | 35  | 23                           | 5           | 2.7                         |

<sup>1</sup> The higher the mean, the more essential the service

\* Indicates % less than .5

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SATISFACTION WITH CITY SERVICES

San Diego residents were next asked to reveal their level of satisfaction with each of 25 services provided by the City using a four-point scale (very dissatisfied -- very satisfied). Receiving the highest satisfaction readings from residents are seven categories with ratings of 3.00 or higher:

- Trash collection services (3.25)
- Fire response to calls for service (3.18)
- Recycling collection services (3.15)
- Beach lifeguard service (3.09)
- Parking availability in your neighborhood (3.03)
- Programs at branch libraries (3.01)
- Maintenance of parks and its facilities (3.00)

Also receiving positive ratings between 2.81 and 2.99 are 15 additional City services:

- Police response to calls for service (2.99)
- Programs at recreational centers (2.97)
- Programs at existing main library downtown (2.96)
- Cleanliness of beaches (2.96)
- Arts and cultural programs (2.95)
- Service hours at existing main library downtown (2.94)
- Tree maintenance on public property (2.93)
- Recreation center service hours (2.92)
- Frequency of street sweeping (2.92)
- Efforts to eliminate graffiti (2.92)
- Branch library service hours (2.86)
- Flood control efforts (2.86)
- Parking enforcement efforts (2.86)
- Street lighting (2.83)
- Conditions of neighborhood sidewalks (2.81)

The final three City services studied receive low ratings under 2.50:

- Efforts to address homelessness (2.45)
- Condition of City streets (2.28)
- Downtown parking availability (2.18)

Appendix E

TABLE 3: SATISFACTION WITH CITY SERVICES

“Next, would you say you are very satisfied, satisfied, dissatisfied or very dissatisfied with each of the following in San Diego?”

	Very Satisfied (4)	Satisfied (3)	Dis- satisfied (2)	Very Dis- satisfied (1)	Not Sure	MEAN RATING ¹
Trash collection services	29%	66%	3%	1%	1%	3.25
Fire response to calls for service	21	53	4	2	20	3.18
Recycling collection services	24	65	7	1	3	3.15
Beach lifeguard service	16	66	6	1	11	3.09
Parking availability in your neighborhood	26	55	13	5	1	3.03
Programs at branch libraries	10	57	8	1	24	3.01
Maintenance of parks and its facilities	14	71	11	1	3	3.00
Police response to calls for service	16	54	10	4	16	2.99
Programs at recreational centers	8	59	8	1	24	2.97
Programs at existing main library downtown	5	46	5	1	43	2.96
Cleanliness of beaches	14	64	14	2	6	2.96
Arts and cultural programs	8	68	11	1	12	2.95
Service hours at existing main library downtown	6	46	7	1	40	2.94
Tree maintenance on public property	10	66	13	2	9	2.93
Recreation center service hours	5	59	8	2	26	2.92
Frequency of street sweeping	11	68	12	3	6	2.92
Efforts to eliminate graffiti	9	66	13	2	10	2.92
Branch library service hours	9	57	16	3	15	2.86
Flood control efforts	8	56	13	3	20	2.86
Parking enforcement efforts	9	64	13	5	9	2.86
Street lighting	11	63	21	3	2	2.83
Condition of neighborhood sidewalks	11	63	20	4	2	2.81
Efforts to address home- lessness	3	41	36	7	13	2.45
Condition of city streets	4	37	41	17	1	2.28
Downtown parking availability	3	31	38	20	8	2.18

The higher the mean, the greater the satisfaction (among those with opinion)

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## CITY SPENDING PRIORITIES

After residents had evaluated each of the 25 service areas under consideration, they were asked to indicate whether they would or would not be willing to pay more for them through taxes or fees in order to maintain them or avoid further cuts. Four services are mentioned by at least a majority of residents as areas where they would be willing to pay more:

- Fire response to calls for service (70%)
- Police response to calls for service (68%)
- Condition of City streets (60%)
- Maintenance of parks and its facilities (55%)

Of particular interest among the four service spending priorities noted above, is the fact that they include two of the three public safety categories tested. This pattern clearly reveals the high priority which residents give these service areas.

On the other end of the spectrum, the following services receive the lowest spending priority readings with at least 70 percent or more of residents indicating they would not be willing to pay more for each.

- Downtown parking availability (70%)
- Programs at existing main library downtown (70%)
- Frequency of street sweeping (75%)
- Parking enforcement efforts (77%)
- Parking availability in your neighborhood (78%)

**TABLE 4: WILLINGNESS TO PAY MORE  
TO MAINTAIN CITY SERVICES**

“Now I’d like to quickly read the list again, but this time please tell me if each is one you would or would not be willing to pay more for through increased taxes or fees in order to maintain or avoid further cuts.”

|                                         | Would | Would Not | Not Sure |
|-----------------------------------------|-------|-----------|----------|
| Fire response to calls for service      | 70%   | 28%       | 2%       |
| Police response to calls for service    | 68    | 29        | 3        |
| Condition of City streets               | 60    | 38        | 2        |
| Maintenance of parks and its facilities | 55    | 44        | 1        |
| Beach lifeguard service                 | 49    | 49        | 2        |
| Cleanliness of beaches                  | 49    | 49        | 2        |
| Efforts to address homelessness         | 49    | 47        | 4        |
| Recycling collection services           | 48    | 50        | 4        |
| Trash collection services               | 46    | 52        | 2        |
| Street lighting                         | 45    | 53        | 2        |
| Programs at recreational centers        | 44    | 54        | 2        |

(CONTINUED)

Appendix E

(CONT.) TABLE 4: WILLINGNESS TO PAY MORE  
TO MAINTAIN CITY SERVICES

|                                                    | Would | Would<br>Not | Not<br>Sure |
|----------------------------------------------------|-------|--------------|-------------|
| Condition of neighborhood sidewalks                | 42%   | 56%          | 2%          |
| Flood control efforts                              | 40    | 56           | 4           |
| Programs at branch libraries                       | 38    | 57           | 5           |
| Arts and cultural programs                         | 38    | 60           | 2           |
| Branch library service hours                       | 37    | 60           | 3           |
| Recreation center service hours                    | 35    | 61           | 4           |
| Efforts to eliminate graffiti                      | 35    | 62           | 3           |
| Tree maintenance on public property                | 31    | 67           | 2           |
| Downtown parking availability                      | 28    | 70           | 2           |
| Service hours at existing main library<br>downtown | 25    | 69           | 6           |
| Programs at existing main library<br>downtown      | 25    | 70           | 5           |
| Frequency of street sweeping                       | 23    | 75           | 2           |
| Parking availability in your neighborhood          | 21    | 78           | 1           |
| Parking enforcement efforts                        | 21    | 77           | 2           |
| ~~~~~                                              |       |              |             |

Next in this section, we present a Priority Spending Index. This Index correlates the earlier discussed service satisfaction ratings with residents' willingness to pay more to maintain or avoid further service cuts. The effect of this Index is that it affords higher spending priority to those services that receive lower satisfaction readings.

As may be seen in the following table, the result of this exercise is a slight reordering of the top spending priorities with the condition of City streets receiving the highest Index reading of 263.2, followed by police response to calls for service (227.4), fire response to calls for service (220.1) and efforts to address homelessness (200.0). On the other end of the spectrum, parking availability in your neighborhood receives the lowest reading of 69.3.

TABLE 5: PRIORITY SPENDING INDEX

|                                                    | Mean<br>Rating | Willing to<br>Pay More | Priority<br>Spending<br>Index |
|----------------------------------------------------|----------------|------------------------|-------------------------------|
| Condition of city streets                          | 2.28           | 60%                    | 263.2                         |
| Police response to calls for service               | 2.99           | 68                     | 227.4                         |
| Fire response to calls for service                 | 3.18           | 70                     | 220.1                         |
| Efforts to address homelessness                    | 2.45           | 49                     | 200.0                         |
| Maintenance of parks and its facilities            | 3.00           | 55                     | 183.3                         |
| Cleanliness of beaches                             | 2.96           | 49                     | 165.5                         |
| Street lighting                                    | 2.83           | 45                     | 159.0                         |
| Beach lifeguard service                            | 3.09           | 49                     | 158.6                         |
| Recycling collection services                      | 3.15           | 48                     | 152.4                         |
| Condition of neighborhood sidewalks                | 2.81           | 42                     | 149.5                         |
| Programs at recreational centers                   | 2.97           | 44                     | 148.1                         |
| Trash collection services                          | 3.25           | 46                     | 141.5                         |
| Flood control efforts                              | 2.86           | 40                     | 139.9                         |
| Branch library service hours                       | 2.86           | 37                     | 129.4                         |
| Arts and cultural programs                         | 2.95           | 38                     | 128.8                         |
| Downtown parking availability                      | 2.18           | 28                     | 128.4                         |
| Programs at branch libraries                       | 3.01           | 38                     | 126.2                         |
| Recreation center service hours                    | 2.92           | 35                     | 119.9                         |
| Efforts to eliminate graffiti                      | 2.92           | 35                     | 119.9                         |
| Tree maintenance on public property                | 2.93           | 31                     | 105.8                         |
| Service hours at existing main library<br>downtown | 2.94           | 25                     | 85.0                          |
| Programs at existing main library<br>downtown      | 2.96           | 25                     | 84.4                          |
| Frequency of street sweeping                       | 2.92           | 23                     | 78.8                          |
| Parking enforcement efforts                        | 2.86           | 21                     | 73.4                          |
| Parking availability in your neighborhood          | 3.03           | 21                     | 69.3                          |

Calculation: willing to pay more divided by mean rating

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Appendix E

REACTION TO SELECT STRATEGIES TO DEAL WITH BUDGET DEFICIT

When residents are asked if they approve or disapprove of each of six strategies to deal with the City's budget deficit, one strategy, "use more private contractors, implement managed competition," receives approval from 74 percent of residents (20% strongly approve/54% approve) with disapproval of only 20 percent. Two additional strategies also receive approval from a majority of residents, but generate significant disapproval readings: 1) generate new revenue through increased fees to help avoid service reductions (59% approve/36% disapprove); 2) combination of new revenues and service cuts (52% approve/40% disapprove). Each of the three remaining strategies receive disapproval readings which are nearly equal to or exceed their approval readings:

- Further reductions to City employee salaries and benefits (48% approve/47% disapprove)
- Generate new revenue through increased taxes to help avoid service reductions (46% approve/50% disapprove)
- Eliminate or further reduce City services (26% approve/70% disapprove)

**TABLE 6: REACTION TO SELECT STRATEGIES
TO DEAL WITH BUDGET DEFICIT**

"Next, as you are probably aware, the City of San Diego is currently dealing with a significant budget deficit. To solve this problem, other cities have implemented a variety of strategies. I'd like to describe several of them to you and then have you tell me if you strongly approve, approve, disapprove or strongly disapprove of each."

	Strongly Approve	Approve	Disapprove	Strongly Disapprove	Not Sure	TOTAL APPROVE ¹
Use more private contractors, implement managed competition	20%	54%	15%	5%	6%	74%
Generate new revenue through increased fees to help avoid service reductions	5	54	26	10	5	59
Combination of new revenues and service cuts	6	46	34	6	8	52
Further reductions to City employee salaries and benefits	11	37	36	11	6	48
Generate new revenue through increased taxes to help avoid service reductions	6	40	35	15	4	46
Eliminate or further reduce City services	3	23	56	14	4	26

¹ Strongly approve + approve

Totals may not equal 100% due to rounding

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On the following table, it may be seen that males tend to offer higher approval ratings than do females.

**TABLE 7: REACTION TO SELECTED STRATEGIES  
TO DEAL WITH BUDGET DEFICIT – DETAIL**

|                      | <u>TOTAL APPROVE</u>   |                   |                           |                                   |                    |                     |
|----------------------|------------------------|-------------------|---------------------------|-----------------------------------|--------------------|---------------------|
|                      | Private<br>Contractors | Increased<br>Fees | Combo<br>Revenue/<br>Cuts | Employees<br>Salary<br>Reductions | Increased<br>Taxes | Reduced<br>Services |
| <u>TOTAL</u>         | 74%                    | 59%               | 52%                       | 48%                               | 46%                | 26%                 |
| <u>GENDER</u>        |                        |                   |                           |                                   |                    |                     |
| Male                 | 80                     | 62                | 53                        | 55                                | 49                 | 34                  |
| Female               | 69                     | 56                | 50                        | 40                                | 43                 | 17                  |
| <u>AGE</u>           |                        |                   |                           |                                   |                    |                     |
| Under 35             | 78                     | 66                | 57                        | 38                                | 54                 | 27                  |
| 35 to 49             | 73                     | 57                | 52                        | 51                                | 41                 | 27                  |
| 50 to 64             | 75                     | 57                | 51                        | 58                                | 42                 | 29                  |
| 65 or over           | 67                     | 56                | 42                        | 44                                | 45                 | 25                  |
| <u>ETHNICITY</u>     |                        |                   |                           |                                   |                    |                     |
| White                | 76                     | 59                | 51                        | 50                                | 46                 | 26                  |
| Minority             | 71                     | 59                | 52                        | 44                                | 46                 | 26                  |
| <u>INCOME</u>        |                        |                   |                           |                                   |                    |                     |
| Under \$30,000       | 64                     | 51                | 36                        | 46                                | 45                 | 18                  |
| \$30,000 to \$59,999 | 77                     | 61                | 56                        | 46                                | 47                 | 20                  |
| \$60,000 to \$89,999 | 74                     | 59                | 54                        | 47                                | 46                 | 30                  |
| \$90,000 or over     | 80                     | 63                | 57                        | 53                                | 48                 | 29                  |
| ~~~~~                |                        |                   |                           |                                   |                    |                     |

## Appendix E

In a follow-up question which asked residents for their suggestions on other ways to reduce the budget deficit, 74 percent said they did not have any. The most frequently mentioned suggestion was to reduce wasteful spending with a reading of 13 percent.

TABLE 8: OTHER SUGGESTIONS TO REDUCE DEFICIT

“Do you have any other suggestions on how the City could reduce its budget deficit?”

|                                                              |     |
|--------------------------------------------------------------|-----|
| None                                                         | 74% |
| Cut wasteful spending, better money management               | 13  |
| Reduce number of employees, cross-train, more efficient      | 7   |
| Stimulate economy – attract new businesses, increase tourism | 3   |
| Sell public land/real estate                                 | 2   |
| Enforce laws – collect fines                                 | 1   |
| Stop using outside contractors                               | 1   |
| Miscellaneous others                                         | 1   |
| ~~~~~                                                        |     |



**SAN DIEGO AS A PLACE TO LIVE**

Better than nine out of ten San Diego residents (97%) either strongly agree (47%) or agree (50%) that “overall San Diego is a good place to live.” This reading is universal across all population subgroups.

**TABLE 9: SAN DIEGO AS A PLACE TO LIVE**

“To begin, would you say you strongly agree, agree, disagree or strongly disagree with the following statement, ‘Overall, San Diego is a good place to live’.”

|                         | Strongly<br>Agree | Agree | Disagree | Strongly<br>Disagree | Not<br>Sure | TOTAL<br>AGREE <sup>1</sup> |
|-------------------------|-------------------|-------|----------|----------------------|-------------|-----------------------------|
| <b><u>TOTAL</u></b>     | 47%               | 50%   | 2%       | 1%                   | *%          | 97%                         |
| <b><u>GENDER</u></b>    |                   |       |          |                      |             |                             |
| Male                    | 50                | 47    | 2        | 1                    | 0           | 97                          |
| Female                  | 43                | 53    | 2        | 1                    | 1           | 96                          |
| <b><u>AGE</u></b>       |                   |       |          |                      |             |                             |
| Under 35                | 50                | 48    | 1        | 0                    | 1           | 98                          |
| 35 to 49                | 43                | 51    | 4        | 1                    | 1           | 94                          |
| 50 to 64                | 49                | 47    | 2        | 2                    | 0           | 96                          |
| 65 or over              | 42                | 54    | 3        | 1                    | 0           | 96                          |
| <b><u>ETHNICITY</u></b> |                   |       |          |                      |             |                             |
| White                   | 50                | 47    | 2        | 1                    | *           | 97                          |
| Minority                | 43                | 54    | 3        | *                    | *           | 97                          |
| <b><u>INCOME</u></b>    |                   |       |          |                      |             |                             |
| Under \$30,000          | 32                | 61    | 6        | 1                    | 0           | 93                          |
| \$30,000 to \$59,999    | 47                | 48    | 3        | 1                    | 1           | 95                          |
| \$60,000 to \$89,999    | 46                | 51    | 1        | 1                    | 1           | 97                          |
| \$90,000 or over        | 55                | 44    | 1        | 0                    | 0           | 91                          |

<sup>1</sup> Strongly agree + agree

\* Indicates % less than .5

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Appendix E

QUALITY OF LIFE IN SAN DIEGO

Residents rate the quality of life in San Diego very highly, with over eight out of ten residents (84%) indicating it is either excellent (31%) or good (53%). In comparison, 14 percent of residents rate the quality of life as fair, while only two percent rate it as poor.

When residents' attitudes about the quality of life in San Diego are analyzed based on population subgroup, we find that positive impressions tend to increase in correlation to increases in yearly income and that white residents reveal a more positive impression about the quality of life in the City than do minority residents.

**TABLE 10: QUALITY OF LIFE
IN SAN DIEGO**

"On the whole, would you say that the quality of life in the City of San Diego is excellent, good, fair or poor?"

	Excel- lent	Good	Fair	Poor	Not Sure	TOTAL POSITIVE
<u>TOTAL</u>	31%	53%	14%	2%	*%	84%
<u>GENDER</u>						
Male	34	48	16	2	0	82
Female	28	57	13	2	*	85
<u>AGE</u>						
Under 35	33	54	12	1	0	87
35 to 49	27	54	17	1	1	81
50 to 64	32	51	15	2	0	83
65 or over	34	49	14	3	0	83
<u>ETHNICITY</u>						
White	35	51	13	1	0	86
Minority	24	54	18	3	1	78
<u>INCOME</u>						
Under \$30,000	22	56	16	6	0	78
\$30,000 to \$59,999	22	56	18	3	1	78
\$60,000 to \$89,999	30	49	20	1	0	79
\$90,000 or over	40	52	8	0	0	92

*Indicates % less than .5

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**LIKELIHOOD OF RECOMMENDING SAN DIEGO/REMAINING IN SAN DIEGO**

Nearly nine out of ten residents (88%) indicate that they are likely to either recommend San Diego as a place to live or to remain in San Diego for the next five years. These patterns are universal across population subgroups.

**TABLE 11: LIKELIHOOD OF TAKING  
SELECTED STEPS**

“How likely are you to do each of the following – very likely, somewhat likely, somewhat unlikely or very unlikely?”

|                      | Recommend<br>Living in<br>San Diego to<br>Someone<br>Who Asked | Remain in<br>San Diego<br>for the Next<br>Five Years |
|----------------------|----------------------------------------------------------------|------------------------------------------------------|
| Very likely          | 49%                                                            | 66%                                                  |
| Somewhat likely      | 39                                                             | 22                                                   |
| Somewhat unlikely    | 7                                                              | 5                                                    |
| Very unlikely        | 4                                                              | 5                                                    |
| Not sure             | <u>1</u>                                                       | <u>2</u>                                             |
|                      | 100%                                                           | 100%                                                 |
| <u>TOTAL LIKELY</u>  |                                                                |                                                      |
| <u>TOTAL</u>         | 88%                                                            | 88%                                                  |
| <u>GENDER</u>        |                                                                |                                                      |
| Male                 | 88                                                             | 86                                                   |
| Female               | 88                                                             | 90                                                   |
| <u>AGE</u>           |                                                                |                                                      |
| Under 35             | 95                                                             | 86                                                   |
| 35 to 49             | 83                                                             | 85                                                   |
| 50 to 64             | 85                                                             | 89                                                   |
| 65 or over           | 89                                                             | 97                                                   |
| <u>ETHNICITY</u>     |                                                                |                                                      |
| White                | 86                                                             | 87                                                   |
| Minority             | 94                                                             | 92                                                   |
| <u>INCOME</u>        |                                                                |                                                      |
| Under \$30,000       | 87                                                             | 89                                                   |
| \$30,000 to \$59,999 | 87                                                             | 92                                                   |
| \$60,000 to \$89,999 | 88                                                             | 89                                                   |
| \$90,000 or over     | 92                                                             | 87                                                   |

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Appendix E

MOST SERIOUS ISSUE FACING RESIDENTS

When San Diego residents are asked to indicate the most serious issue facing residents with respect to services provided by the City, improved city services, street repairs, education and fixing the budget lead the list.

TABLE 12: MOST SERIOUS ISSUE FACING RESIDENTS

“Next, what do you think is the most serious issue facing the residents of San Diego, with respect to services provided by the City, that you would like to see City government do something about?”
(OPEN-ENDED QUESTION)

	TOTAL	GENDER	
		Male	Female
TRANSPORTATION (NET)	20%	19%	21%
Streets-repair/fix	14	13	15
Public transportation-expanded/improve	5	5	5
Other	3	3	3
CITY GOVERNMENT MANAGEMENT (NET)	17	20	14
Budget-balance/fix	10	12	7
Pension fund-fix	4	4	4
Poor leadership	3	4	3
Stop spending-wasteful	2	2	2
Improved City Services	15	14	16
Education	13	9	16
ENVIRONMENTAL (NET)	9	8	9
Conserving water	4	3	4
Developing alternative water sources	2	3	2
Other	3	2	3
Crime	6	6	6
Cost of living	6	6	6
Lack of Social Services	5	6	4
Employment/Jobs	5	4	7
Economy	2	1	2
Growth	1	1	1
Miscellaneous	3	4	3
None/not sure	14	15	13
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**ATTITUDES ABOUT SAFETY IN SAN DIEGO**

Residents were asked about safety in their neighborhood and the City as a whole. Here we find that 90 percent of residents rate the safety in their neighborhood in positive terms (39% very safe/51% somewhat safe), while 85 percent rate the safety in the City as a whole in positive terms (12% very safe/73% somewhat safe). These readings are slightly improved from a similar resident survey conducted for the City of San Diego in 2004 (86% positive neighborhood, 77% positive City as a whole). Lower income residents tend to offer slightly lower safety readings than higher income residents.

**TABLE 13: ATTITUDES ABOUT SAFETY IN SAN DIEGO**

“Next, how would you rate the safety of your neighborhood?”

“How about the safety of the City of San Diego as a whole?  
Would you say it is...”

	Neighborhood	City as a Whole
Very safe	39%	12%
Somewhat safe	51	73
Somewhat unsafe	8	11
Very unsafe	2	2
Not sure	*	2
	100%	100%
<u>TOTAL SAFE</u>		
<u>TOTAL</u>	90%	85%
<u>GENDER</u>		
Male	89	86
Female	90	84
<u>AGE</u>		
Under 35	87	85
35 to 49	90	87
50 to 64	92	84
65 or over	92	83
<u>ETHNICITY</u>		
White	92	86
Minority	85	83
<u>INCOME</u>		
Under \$30,000	83	80
\$30,000 to \$59,999	86	83
\$60,000 to \$89,999	92	83
\$90,000 or over	90	91

*Indicates % less than .5

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Appendix E

SOURCES OF INFORMATION

The most commonly relied on source of information about what is happening in the City of San Diego is local television programs with 44 percent of residents indicating they rely on such programs a lot. In comparison, 28 percent rely on radio news programs a lot, while 25 percent rely on print newspapers a lot and 24 percent rely on online newspapers a lot. The data also reveals that few residents rely on either the City's website or cable TV channel a lot (9% and 8%, respectively) and that sources vary greatly depending on population subgroups.

TABLE 14: SOURCES OF INFORMATION

"Next, do you rely a lot, some, only a little or not at all on each of the following for information about the City of San Diego?"

| | A
Lot | Some | Only
a Little | Not
at All | Not
Sure |
|-----------------------------|----------|------|------------------|---------------|-------------|
| Television news programs | 44% | 28% | 15% | 12% | 1% |
| Radio news programs | 28 | 25 | 18 | 28 | 1 |
| Print newspapers | 25 | 19 | 17 | 39 | * |
| Online newspapers | 24 | 27 | 16 | 32 | 1 |
| The City's web site | 9 | 14 | 19 | 57 | 1 |
| The City's cable TV channel | 8 | 12 | 14 | 64 | 2 |

% A LOT

| | Television
News
Programs | Radio
News
Programs | Print
News-
papers | Online
News-
papers | The City's
Web Site | The City's
Cable TV
Channel |
|----------------------|--------------------------------|---------------------------|--------------------------|---------------------------|------------------------|-----------------------------------|
| <u>TOTAL</u> | 44% | 28% | 25% | 24% | 9% | 8% |
| <u>GENDER</u> | | | | | | |
| Male | 39 | 30 | 25 | 25 | 9 | 6 |
| Female | 49 | 27 | 26 | 23 | 9 | 10 |
| <u>AGE</u> | | | | | | |
| Under 35 | 44 | 25 | 16 | 35 | 12 | 9 |
| 35 to 49 | 44 | 30 | 21 | 23 | 9 | 8 |
| 50 to 64 | 45 | 30 | 32 | 20 | 9 | 8 |
| 65 or over | 44 | 28 | 46 | 9 | 3 | 7 |
| <u>ETHNICITY</u> | | | | | | |
| White | 38 | 26 | 31 | 19 | 6 | 5 |
| Minority | 57 | 29 | 15 | 32 | 14 | 15 |
| <u>INCOME</u> | | | | | | |
| Under \$30,000 | 61 | 33 | 27 | 17 | 19 | 19 |
| \$30,000 to \$59,999 | 44 | 26 | 27 | 28 | 9 | 11 |
| \$60,000 to \$89,999 | 41 | 27 | 21 | 21 | 9 | 5 |
| \$90,000 or over | 40 | 27 | 28 | 27 | 6 | 3 |

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## APPENDIX

### METHODOLOGY

The information contained in this report is based on 600 in-depth telephone interviews conducted with San Diego heads of household. Respondent selection on this project was accomplished via a computer-generated, random digit dial telephone sample which selects households based on residential telephone prefixes and includes all unlisted and newly listed households. This methodology was selected because it ensures a randomly selected sample of households proportionately allocated throughout the sample universe.

The questionnaire used in this study was designed by BRC in conjunction with the City of San Diego's Office of the Independent Budget Analyst. Both English and Spanish versions of the questionnaire were used in the study.

All of the interviewing on this project was conducted during March 2010 at the Center's central location Computer-Assisted Telephone Interviewing (CATI) facility where each interviewer worked under the direct supervision of BRC supervisory personnel. All of the interviewers who worked on this project were professional interviewers of the Center. Each had prior experience with BRC and received a thorough briefing on the particulars of this study. During the briefing, the interviewers were trained on: (a) the purpose of the study; (b) sampling procedures; (c) administration of the questions; and (d) other project-related factors. In addition, each interviewer completed a set of practice interviews to ensure that all procedures were understood and followed.

Interviewing on this study was conducted during an approximately equal cross-section of evening and weekend hours. This procedure was followed to ensure that all households were equally represented, regardless of work schedules. Further, during the interviewing segment of this study, up to eight separate attempts, on different days and during different times of day, were made to contact each selected resident. Only after eight unsuccessful attempts was a selected household substituted in the sample. Using this methodology, the full sample was completed and partially completed interviews were not accepted nor counted toward fulfillment of the total sample quotas.

One hundred percent of the completed interviews were edited and any containing errors of administration (missed skip patterns) were pulled, the respondent re-called, and the errors corrected. In addition, 15 percent of each interviewer's work was randomly selected for validation to ensure its authenticity and correctness. No problems were encountered during this phase of interviewing quality control.

As the data collection segment of this study was being undertaken, completed interviews were turned over to BRC's in-house Coding Department. The Coding Department edited, validated and coded the interviews. Upon completion of coding, a series of validity and logic checks were run on the data to insure it was "clean" (did not contain any errors). Following this procedure, the survey sample was weighted by age and gender to bring it more closely into line with the actual estimated distribution of heads of household in San Diego.

## Appendix E

	Unweighted Sample	Weighted Sample
Under 35	30.2%	30.2%
35 to 49	21.8	31.8
50 to 64	33.3	23.3
65 or over	13.8	13.8
Refused	<u>.9</u>	<u>.9</u>
	100.0%	100.0%

When analyzing the results of this survey, it should be kept in mind that all surveys are subject to sampling error. Sampling error, stated simply, is the difference between the results obtained from a sample and those which would be obtained by surveying the entire population under consideration. The size of sampling error varies, to some extent, with the number of interviews completed and with the division of opinion on a particular question.

An estimate of the sampling error range for this study is provided in the following table. The sampling error presented in the table has been calculated at the confidence level most frequently used by social scientists, the 95 percent level. The sampling error figures shown in the table are average figures that represent the maximum error for the sample bases shown (i.e., for the survey findings where the division of opinion is approximately 50%/50%). Survey findings that show a one-sided distribution of opinion, such as 70%/30% or 90%/10%, are usually subject to slightly lower sampling tolerances than those shown in the table.

As may be seen in the table, the overall sampling error for this study is approximately +/- 4.1 percent when the sample is studied in total (i.e., all 600 cases). However, when subsets of the total sample are studied, the amount of sampling error increases based on the sample size within the subset.

Sample Size	Approximate Sampling Error At A 95% Confidence Level (Plus/Minus Percentage Of Sampling Tolerance)
600	4.1%
500	4.5
400	5.0
300	5.8
200	7.1
100	10.1



SAMPLE PROFILE¹GENDER

Male	50%
Female	<u>50</u>
	100%

AGE

Under 35	30%
35 to 49	32
50 to 64	24
65 or over	<u>14</u>
	100%

MEDIAN (years) 44.1

INCOME

Under \$30,000	14%
\$30,000 to \$59,999	19
\$60,000 to \$89,999	24
\$90,000 or over	<u>43</u>
	100%

MEDIAN (000) \$80.9

ETHNICITY

White	65%
Hispanic	16
Asian American	14
Black	4
American Indian	<u>1</u>
	100%

¹Weighted

## Appendix E

BEHAVIOR RESEARCH CENTER, INC.  
45 East Monterey Way  
Phoenix, AZ 85012  
(602) 258-4554

CITY OF SAN DIEGO  
COMMUNITY ATTITUDE SURVEY  
RESIDENTS' OPINIONS ON CITY SERVICES  
Spring 2010

JOB ID 2010003

Hello, my name is _____ and I'm with the Behavior Research Center. We're conducting a survey among San Diego residents on City services and I'd like to speak with you for a few minutes.

A. Is your residence located within the San Diego city limits?

IF YES: CONTINUE

IF NO: THANK AND TERMINATE

B. And are you the (male/female) head of your household?

IF YES: CONTINUE

IF NO: ASK TO SPEAK WITH MALE/FEMALE HEAD,  
RE INTRODUCE YOURSELF AND CONTINUE.  
IF NONE AVAILABLE, ARRANGE CALLBACK.

Male...1  
Female...2

1. To begin, would you say you strongly agree, agree, disagree or strongly disagree with the following statement, "Overall, San Diego is a good place to live."

Strongly agree...1  
Agree...2  
Disagree...3  
Strongly disagree...4  
Not sure...5

2. On the whole, would you say that the quality of life in the City of San Diego is excellent, good, fair or poor?

Excellent...1  
Good...2  
Fair...3  
Poor...4  
Not sure...5

3. How likely are you to do each of the following – very likely, somewhat likely, somewhat unlikely or very unlikely?

Very Likely	Somewhat Likely	Somewhat Unlikely	Very Unlikely	Not Sure
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A. Recommend living in San Diego to someone who asked ..... 1

2 3 4 5

B. Remain in San Diego for the next five years ..... 1

2 3 4 5

4. Next, what do you think is the most serious issue facing the residents of San Diego, with respect to services provided by the City, that you would like to see City government do something about? (PROBE)

5. As you know, the City of San Diego provides various services to the community. On a scale of 1 to 4 where 1 means you think a service is not essential, and 4 means you think a service is absolutely essential, how essential do you feel each of the following City services are? (ROTATE)

Rating

- A. Police services.....
- B. Fire services .....
- C. Emergency medical services.....
- D. Lifeguard services at the beaches.....
- E. Fire prevention programs .....
- F. Branch libraries.....
- G. Existing main library downtown .....
- H. Homeless services.....
- I. Art and cultural programs .....
- J. Parks and recreation programs .....
- K. Maintenance of beaches and parks .....
- L. Graffiti removal .....
- M. Neighborhood code enforcement .....
- N. Street and sidewalk maintenance.....
- O. Pollution prevention in oceans and bays.....
- P. Residential trash collection services.....
- Q. Residential recycling services .....

6. Next, would you say you are very satisfied, satisfied, dissatisfied or very dissatisfied with each of the following in San Diego? (ROTATE)

	Very Satisfied	Satisfied	Dis- Satisfied	Very Dis- Satisfied	Not Sure
A. Branch library service hours .....	1	2	3	4	5
B. Programs at branch libraries .....	1	2	3	4	5
C. Recreation center service hours.....	1	2	3	4	5
D. Programs at recreational centers .....	1	2	3	4	5
E. Service hours at existing main library downtown .....	1	2	3	4	5
F. Programs at existing main library downtown.....	1	2	3	4	5
G. Arts and cultural programs .....	1	2	3	4	5
H. Beach lifeguard services .....	1	2	3	4	5
I. Cleanliness of beaches .....	1	2	3	4	5
J. Maintenance of parks and its facilities.....	1	2	3	4	5
K. Condition of neighborhood sidewalks.....	1	2	3	4	5
L. Condition of city streets .....	1	2	3	4	5
M. Frequency of street sweeping .....	1	2	3	4	5
N. Police response to calls for service .....	1	2	3	4	5
O. Fire response to calls for service.....	1	2	3	4	5
P. Tree maintenance on public property .....	1	2	3	4	5
Q. Efforts to eliminate graffiti .....	1	2	3	4	5
R. Efforts to address homelessness .....	1	2	3	4	5
S. Trash collection services .....	1	2	3	4	5
T. Recycling collection services.....	1	2	3	4	5
U. Flood control efforts .....	1	2	3	4	5
V. Downtown parking availability .....	1	2	3	4	5
W. Parking availability in your neighborhood.....	1	2	3	4	5
X. Parking enforcement efforts .....	1	2	3	4	5
Y. Street lighting.....	1	2	3	4	5

6a. Now I'd like to quickly read the list again, but this time please tell me if each is one you would or would not be willing to pay more for through increased taxes or fees in order to maintain or avoid further cuts. (ROTATE)

	<u>Would</u>	<u>Would Not</u>	<u>Not Sure</u>
A. Branch library service hours .....	1	2	3
B. Programs at branch libraries .....	1	2	3
C. Recreation center service hours .....	1	2	3
D. Programs at recreational centers .....	1	2	3
E. Service hours at existing main library downtown .....	1	2	3
F. Programs at existing main library downtown .....	1	2	3
G. Arts and cultural programs .....	1	2	3
H. Beach lifeguard services .....	1	2	3
I. Cleanliness of beaches .....	1	2	3
J. Maintenance of parks and its facilities .....	1	2	3
K. Condition of neighborhood sidewalks .....	1	2	3
L. Condition of city streets .....	1	2	3
M. Frequency of street sweeping .....	1	2	3
N. Police response to calls for service .....	1	2	3
O. Fire response to calls for service .....	1	2	3
P. Tree maintenance on public property .....	1	2	3
Q. Efforts to eliminate graffiti .....	1	2	3
R. Efforts to address homelessness .....	1	2	3
S. Trash collection services .....	1	2	3
T. Recycling collection services .....	1	2	3
U. Flood control efforts .....	1	2	3
V. Downtown parking availability .....	1	2	3
W. Parking availability in your neighborhood .....	1	2	3
X. Parking enforcement efforts .....	1	2	3
Y. Street lighting .....	1	2	3

7. Next, would you rate each of the following as excellent, good, fair or poor? (ROTATE)	<u>Excel- lent</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>	<u>Not Sure</u>
A. The value of services you receive for the taxes you pay .....	1	2	3	4	5
B. The overall direction the City is taking .....	1	2	3	4	5
C. The job the City does listening to citizens .....	1	2	3	4	5
D. The job the City does delivering services to residents .....	1	2	3	4	5

8. Next, how would you rate the safety of your neighborhood? Would you say your neighborhood is... (READ EACH EXCEPT "NOT SURE")

Very safe...1  
Somewhat safe...2  
Somewhat unsafe...3  
Very unsafe...4  
Not sure...5

9. How about the safety of the City of San Diego as a whole? Would you say it is...(READ EACH EXCEPT "NOT SURE")

Very safe...1  
Somewhat safe...2  
Somewhat unsafe...3  
Very unsafe...4  
Not sure...5

10. Next, as you are probably aware, the City of San Diego is currently dealing with a significant budget deficit. To solve this problem other cities have implemented a variety of strategies. I'd like to describe several of them to you and then have you tell me if you strongly approve, approve, disapprove or strongly disapprove of each. (ROTATE A-E)

	Strongly Approve	Approve	Disapprove	Strongly Disapprove	Not Sure
A. Generate new revenue through increased fees to help avoid service reductions .....	1	2	3	4	5
B. Generate new revenue through increased taxes to help avoid service reductions .....	1	2	3	4	5
C. Eliminate or further reduce City services .....	1	2	3	4	5
D. Further reductions to City employee salaries and benefits .....	1	2	3	4	5
E. Use more private contractors, implement managed competition .....	1	2	3	4	5
F. Combination of new revenues and service cuts .....	1	2	3	4	5

- 10a. Do you have any other suggestions on how the City could reduce its budget deficit?

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	A Lot	Some	Only a Little	Not At All	Not Sure
11. Next, do you rely a lot, some, only a little, or not at all on each of the following for information about the City of San Diego?					
A. Print newspapers .....	1	2	3	4	5
B. Online newspapers .....	1	2	3	4	5
C. Television news programs .....	1	2	3	4	5
D. Radio news programs .....	1	2	3	4	5
E. The City's web site .....	1	2	3	4	5
F. The City's cable tv channel .....	1	2	3	4	5

- A. Now before I finish, I need a few pieces of information about yourself for classification purposes only. First, which of the following categories comes closest to your age? (READ EACH EXCEPT REFUSED)
- Under 25...1  
25 to 34...2  
35 to 49...3  
50 to 64...4  
65 or over...5  
(DO NOT READ) Refused...6

- B. How many years have you lived in the City of San Diego? YEARS _____

- C. Which of the following categories best describes your ethnic origin? (READ EACH EXCEPT REFUSED)
- Hispanic or Latino...1  
White, non-Hispanic...2  
African American or Black, non-Hispanic...3  
Asian or Pacific Islander...4  
American Indian or Native American...5  
or another Ethnic Group(SPECIFY).....6  
(DO NOT READ) Refused...7

D. And finally, was your total family income for last year, I mean before taxes and including everyone in your household, under or over \$60,000?

UNDER \$60,000  
Was it under \$30,000...1  
or over \$30,000...2  
Refused...3

OVER \$60,000  
Was it under \$90,000...4  
or \$90,000 or over...5  
Refused...6  
REFUSED OVERALL.....7

Thank you very much, that completes this interview. My supervisor may want to call you to verify that I conducted this interview so may I have your first name in order that he/she may do so? (VERIFY PHONE NUMBER)

NAME: _____ PHONE #: _____

FROM SAMPLE:

ZIP CODE:

## **Competitiveness suggestions studied by the Commission**

Several topics were reviewed as possible strategies and tactics to improve the City's ability to attract and retain business and increase prosperity for residents. These areas of concentration were those for which expert testimony, statistics, or factual data were sufficient for the Commission to reach conclusions:

- Contract with private entities to manage the City's airports, golf courses, and landfill with no city workers. The private entity would pay the city for the use of the property then operate the facilities. Proponents assert that revenue would become General Fund revenue -- not be required to stay in an enterprise fund. The Administration asserts that such funds cannot be converted to General Fund use. The Administration has no estimate of the net revenues that would accrue to the City, if any. The Commission also was unable to link this issue with attracting or retaining business activity. Thus, the Commission was unable to make any findings or recommendations in this regard.
- Complete implementation of the Business Process Reengineering recommendations for City departments. Administration states that all recommendations have been or will be implemented.
- Implement a complete "cradle to permit" project management model with a single project manager having control and authority of the project schedule and process from start to finish, including over reviews by outside departments. This had substantial resonance among all audiences and elicited no negative reactions. Administration did not provide input on costs or benefits of such action.
- Provide regulatory incentives and expedited processing for economic development projects, green sustainable projects, Transit-Oriented Development (TOD) projects, mixed-use projects, and affordable housing projects. Public concern was expressed that if everything is a priority, then nothing is a priority. This proposal from a variety of business interests met with some skepticism from some members of the public. Public testimony that San Diego sets the bar of expectation too low; that these kinds of features should be a minimum requirement for processing developments, not a special incentive reward.
- City forms, permit applications, fee payments, etc. should be automated on an interactive website that is available to users 24/7. Universal support for this concept. Office of the Administration reports this is underway as part of a comprehensive overhaul of all City information processing, including an online Business Tax application that will allow business owners to register and pay for a Business Tax Certificate online by the end of the fiscal year. Business Tax Program is leading an efficiency study that will make recommendations to streamline the City's business regulatory and taxation process to eliminate redundancy, optimize regulatory and tax revenue collection, and improve overall service to our business community.
- Renew/extend the term of the Tourism Marketing District. CRRECC unanimously recommended a 10-year extension of the San Diego Tourism Marketing District.
- Expand the Convention Center. CRRECC endorses the expansion of the Convention Center if it can be done without significant expenditures from the General Fund or other action that would adversely affect the structural budget deficit.
- Implement a Business Tax Amnesty program similar to the amnesty proposal

previously suggested by the Small Business Advisory Board. According to the City Treasurer, an amnesty program would lose approximately \$656,000 in budgeted penalties and interest from General Fund, far exceeding revenue realized from noncompliant taxpayers voluntarily registering to pay overdue taxes. In FY 2007, the City Treasurer expanded compliance efforts resulting in over \$7.0M in compliance revenue, including late fees and penalties. CRRECC recommends no change to collections, but increased outreach to avoid noncompliance.

- Maintain public safety services, streets and highways, parks, libraries, beaches, bays, and other community amenities in a manner that continues to attract high-skill workers who will bring their careers and their families to San Diego. Universal support for this concept. This should be an underlying competitiveness strategy.
- Campaign for the passage of a city or regional infrastructure bond measure that would finance key sewer, water, road, storm water, park and public facility infrastructure projects and be structured around a detailed public facilities financing plan. This concept is under discussion at a regional level, being facilitated by SANDAG. City officials have visited Phoenix, Arizona where a similar approach has met with success.

### **Possible future study**

Several suggestions were received for which the Commission could not provide meaningful evaluation either because the Commission lacks the staff support necessary to evaluate the costs and benefits; proponents did not provide specific actionable recommendations; or because City staff did not provide information necessary for the Commission to study the idea. These suggestions included:

- Preserve and implement the CCDC model for other redevelopment areas of the city and all areas identified as "smart growth" infill areas; institute more accountability and certainty in the fee system;
- Move various infrastructure reviews back under the Development Services Department (DSD) and moving field engineering into DSD; reduce the number of reviewers and the number of reviews per project
- Expand self-certification
- The collection of all impact fees should be deferred to the certificate of occupancy, final inspection or close of escrow to minimize the financing cost of fees on new projects
- Revise the City's parking standards for new residential projects to allow tandem parking by-right city-wide, shared parking and public parking alternatives and reduce parking requirements for projects that are accessible by high frequency transit
- Maintain and increase planned densities and implement urban zoning standards as part of updating community plans to ensure that planned densities can be achieved
- Implement comprehensive regulatory and fee reform measures that substantially reduce the time, cost and risk associated with entitling new projects
- Adopt Program EIR's and zoning for updated community plans and examine the feasibility of adopting a Program EIR for high priority economic development, infill, TOD, and sustainable development projects



- Implement an ordinance to make the City's Development Impact Fee Deferral Program permanent and expand the program to include sewer and water capacity fees and the inclusionary housing in lieu fee
- Development Services should expedite Historic Review process for projects that do not change the historic value or nature of a building 18
- Create a Parks Master Plan that provides a certain and consistent methodology for new development projects to use park equivalencies to satisfy park requirements
- Develop a broad-based infrastructure financing strategy to support job growth and new housing supply.
- Secure a new stadium for professional football.
- Expand or replace Lindbergh field adding at least one additional runway offering international service.



## **SDUSD's Priorities Workforce Development Revenue**

### **SUSTAINING PROFESSIONAL DEVELOPMENT FOR SCIENCE PROGRAM**

*What is the estimated budget for and benefits to our students associated with expanding professional development opportunities for elementary school teachers in science (including restoring our lead teacher program in inquiry based teaching), along with externships for high school science teachers?*

The district's response to the BRTF recommendations was presented to the Board on April 6, 2010. The last page of the response document (attached) includes a budget that estimates the costs of 2 central office science resource teachers at \$200,000 (\$100,000 each/10-month/salary + benefits), and the cost of elementary site science liaisons (lead teachers) at \$23,600 (\$200 stipend for one teacher at each of the 118 elementary sites). This budget does NOT include the cost of subs, if they are needed while teachers attend professional development.

The benefits to our students would be tremendous. Additional teacher professional development in science at any level will certainly strengthen teacher content knowledge and delivery and will help keep our teachers abreast of new information, teaching strategies and current trends in scientific fields.

Externships for high school teachers at local scientific businesses or at local universities would incur cost of subs while teachers are out of the classroom. Costs would also be incurred for a position to administer and coordinate such externship programs, if not solely administered by an organization such as the San Diego Workshop Partnership.

### **EXPANDING OUR HIGH SCHOOL INTERNSHIP PROGRAM**

*What is the estimated budget for and benefits to our students taking the MET's Learning through Internships model to scale for high school students across the district?*

*What might a scaled up infrastructure for reaching out to and working with regional employers look like – with an entity like the Workforce Partnership housing such an infrastructure?*

*What are the major hurdles we as a District would need to take on in order to make internships part of the core academic high school program, as opposed to after school or summer internships?*

Please see the attached DRAFT document not intended for publication.

## EXPANDING BROADBAND ACCESS FOR OUR STUDENTS

*What is an estimated budget of a City wide broadband network that would reach all of our students' homes and what would the benefits be?*

*What are we currently doing to get there, and what more would a concentrated City wide effort need to achieve?*

Though it is difficult to provide a budget for the concept with any level of accuracy at this point, the current cost model and what the impact would be if the FCC changes some rules that regulate erate funding is provided here:

*Costs based on the traditional service provider model:*

In San Diego, home broadband can range from \$19.00 - \$50.00 per month with many plans limiting the amount of data that can be downloaded in a month. Broadband service options include cable modems, 3G wireless and DSL. Note: Dial-up connectivity should not be considered broadband. These numbers often skew the data on who actually has broadband access.

If broadband were provided to all 6th through 12th graders (approximately 70,000 students) using the traditional service provider model listed above, it would cost the district approximately \$1.75M per month or \$21M annually.

*Pilot schools:*

Currently, two SDUSD schools (Innovation and Millennial Tech) are piloting the i21 school-to-home component with 3G wireless access to all students. Lessons learned about what it takes to build the culture around digital access anytime anywhere will be used to guide other i21 schools who may want to make the shift to a school-to-home model in years three and four of the program.

*Issue:*

It is estimated that as many as 42% of our students lack access to a computer with high-speed Internet at home. Left unchecked, we are at risk of creating an even greater achievement gap by widening the digital divide. As public education looks towards a digital future, we need to ensure every student is given the same opportunities.

*Benefits of home access:*

- Naturally extends the school day by creating an opportunity for learning 24/7
- Provides access to dynamic digital content including live textbooks, educational video and print libraries

- Access to technology both at school and at home allows teachers to customize learning opportunities and individualize instruction that targets the unique needs of each student
- By 2013, over 51% of high school students will take at least one course online. Increasingly, studies suggest that online learning is meeting the specific needs of a range of students from those who need extra help and credit recovery to those that want to take advanced placement and college-level courses at times that best fit their needs
- Home access also creates a window into the classroom for parents and other family members to become more involved in their children's learning

*Are E-Rate and CTF discounts an option:*

The federal E-Rate program provides the district a 73% discount on "wireless Internet service for portable electronic devices" i.e. Netbooks with built-in broadband. The California Teleconnect Fund provides an additional 13.5% discount. However, the services are limited to use on school campuses only and must be prorated for the portion of the time the student is off campus.

SDUSD is strongly advocating that the FCC change the E-Rate "no access beyond the gate" rules to allow fully subsidize broadband access for students at home. This year, the FCC is considering such changes and is expected to announce their position by mid-October for the 2011-12 funding year. If the change goes into effect, the district would be eligible for an 86% discount on the traditional service outlined above. Essentially, the cost to the district would be approximately \$2.8M annually to provide all 6th – 12th grade students with 3G wireless Internet access. Opponents to this change state that it would break the fund or be misused and that there is no way to ensure the safety of students online. While there are answers to some of these questions, these are the very just some of the reasons to consider developing a city-wide network that serves not only students, but the entire community.

SDUSD could be a significant partner in developing a city-wide network. We have over 200 properties located through the city that are connected with a fiber backbone. SDUSD schools could be the hub for connecting points of a city-wide WiMax (High Speed Wireless) network that could serve the homes and surrounding public areas in the communities.

*Broadband facts:*

**Low Income:**

- Americans living in households whose annual income is \$20,000 or less have a 35% broadband adoption

**Upper-income:**

- Households with incomes over \$75,000 have an 85% broadband adoption

**African-Americans:**

- 46% of African-Americans have broadband at home

**Latinos:**

## Appendix G

- 37% of non- or limited- English speaking Latinos have broadband or dial-up Internet connections

The numbers outlined above emphasize the gap that many of our community members face when it comes to accessing digital resources via the Internet.

Besides providing equitable access to a safe network for students, the city-wide network would need to serve all members of the community with a focus of connecting families with limited means to resources essential to participate in today's digital world.

## **Structural Deficit Guiding Principles**

Resolution of the San Diego City Council R-305615, adopted Feb. 22, 2010

1. *Eliminate the General Fund structural budget deficit through a balanced approach of ongoing expenditure reductions and revenue generation, including identifying new revenue sources.*
2. *Until the City achieves its targeted General Fund reserve level of 8 percent, the City should not consider using reserve balances to balance any budget shortfall and should ensure that it does not drop below the current level of 7 percent.*
3. *Actively pursue alternative service delivery methods, including managed competition, efficiency improvements and elimination of service duplications.*
4. *Prepare a 5-year Outlook each year and provide numeric values for alternative budget balancing options based on input from City Council, Mayor, and IBA; be prepared each year to discuss alternative budget balancing options with the Budget Committee or City Council should the Outlook suggest an ongoing structural deficit.*
5. *One-time resources should be matched to one-time expenditures.*
6. *Achieve 100 percent cost recovery for programs and services that are intended to be fully cost recoverable through fees.*
7. *Reduce pension and retiree health care liability and annual City costs through the meet and confer process.*
8. *When deciding to construct new facilities or establish new programs, the City must take into consideration ongoing operation expenses and should identify ongoing funding to cover these expenses unless necessary to meet high priority needs.*
9. *Prioritize City services expenditures based on the City Charter requirements, Citizen Survey and other means of public input, benchmarking studies and departmental goals and performance data.*
10. *Maintain funding of the full annual required contributions (ARC) for the City's pension obligations in a manner compliant with City Charter and develop a plan to fully fund the Retiree Health Care ARC.*
11. *Develop a plan to fund deferred capital infrastructure and maintenance needs to reduce the current backlog, identify the level of funding necessary to prevent the problem from growing larger, and to reduce the potential of increasing costs to identify the level of funding. Discuss at Budget and Finance Committee a policy to calculate and identify the level of funding for deferred maintenance budget needs*





Summary of General Fund Revenue Options for the City of San Diego			
Revenue Option	Potential Rate	Implementation Requirements	Annual Fiscal Impact
Property Related Taxes & Assessments			
General Obligation Bonds	.02% of Assessed Valuation	2/3 ^{ds} Voter Approval	\$34,500,000
Parcel Taxes (District Taxes)	\$50 per parcel citywide	2/3 ^{ds} Voter Approval	\$18,500,000
Benefit Assessments	TBD	Majority of Property Owner Approval	TBD
Sales & Use Taxes	0.25%	Voter Approval	\$51,500,000
Utility Users Tax	\$74 per capita	Voter Approval	\$100,200,000
Transient Occupancy Tax	1.00%	Voter Approval	\$13,400,000
Property Transfer Tax	\$1.55 per \$1,000 property sales value	Voter Approval	\$8,400,000
Parking Tax	10%	Voter Approval	\$31,000,000
Business Taxes	\$102 for small businesses \$375 for large businesses, plus \$15 per employee	Voter Approval	\$13,600,000
Rental Car Tax	TBD	Voter Approval	TBD
Refuse Collection Fee	\$15.16/month	Majority Voter Approval Proposition 218 Procedures	\$34,000,000
Storm Water Fee	Single Family Residential: \$5.49/month Commercial and Other: \$0.374/hundred cubic feet	Majority of Property Owner Approval or 2/3 ^{ds} Voter Approval, Proposition 218 Procedures	\$37,700,000
Beach, Bay, Balboa Park, and Zoo Parking Fee		Council Approval	TBD
Emergency Response Fees	TBD		
First Responder Service Fee	TBD	Council Approval	TBD
Accident Negligence Fee	TBD	Council Approval	TBD
False Alarm Fee	TBD	Council Approval	TBD
9-1-1 Phone Fee	\$3/month on land lines	Voter Approval	\$16,000,000
General Plan Maintenance Fee	TBD	Council Approval	TBD
Comprehensive User Fee Study	na	Council Approval	TBD
Corporation Sponsorships	na	Council Approval	TBD
<b>Total</b>			<b>\$358,800,000</b>



SAN DIEGO CITY'S SHARE OF STATE'S TOTAL GROSS RECEIPTS (BASED ON EMPLOYMENT SHARE)					
Industry	State Gross Receipts (\$ millions) /1	Employment			San Diego Gross Receipt (\$ millions)
		State /2	San Diego	Share	
Agriculture, Forestry, Fishing and Mining	\$302,930	340,689	244	0.1%	\$217
Utilities	\$221,589	59,800	1,515	2.5%	\$5,614
Construction	\$570,028	677,075	37,495	5.5%	\$31,567
Manufacturing	\$6,805,801	1,377,270	54,554	4.0%	\$269,579
Wholesale trade	\$2,352,902	680,730	17,198	2.5%	\$59,444
Retail trade	\$2,074,234	1,546,051	74,480	4.8%	\$99,925
Transportation and warehousing	\$525,279	415,775	9,369	2.3%	\$11,837
Information and communication	\$1,271,931	533,629	9,212	1.7%	\$21,957
Financial & insurance	\$164,870,690	563,186	10,964	1.9%	\$3,209,672
Real estate	\$382,681	265,160	9,573	3.6%	\$13,816
Professional, scientific and technical services	\$952,689	1,061,328	102,256	9.6%	\$91,789
Management of companies (holding companies)	\$2,330,724	228,616	3,424	1.5%	\$34,907
Administrative, support, waste management and remediation services	\$290,354	869,214	21,657	2.5%	\$7,234
Educational services	\$39,892	266,885	4,520	1.7%	\$676
Health care and social services	\$309,306	1,434,542	28,471	2.0%	\$6,139
Arts, entertainment and recreation	\$68,376	249,557	6,231	2.5%	\$1,707
Accommodation and food services	\$223,836	1,251,740	47,255	3.8%	\$8,450
Other services	\$110,811	801,350	40,131	5.01%	\$5,549
Total	\$183,704,055	12,622,597	478,549	3.79%	\$3,880,079
1/ Gross receipts is defined as the sum of cost of goods sold and total income (2007 CORP SAMPLE)					
2/ Census Bureau, average quarterly employment (2008Q1, 2008Q4, 2009Q1, 2009Q2)					

Source: Jay Chamberlain, Franchise Tax Board






THE CITY OF SAN DIEGO  
M E M O R A N D U M

OFFICE OF THE INDEPENDENT BUDGET ANALYST

DATE: September 9, 2010

TO: Citizens' Revenue Review and Economic Competitiveness Commission

FROM: Lisa Byrne, Fiscal and Policy Analyst 

SUBJECT: Comparison of Refuse Collection Fees within San Diego County

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Attached are two charts to assist the Commission in comparing solid waste rates in the County of San Diego. This memo will provide explanations for complexities embedded within the data of these two charts.

- "Solid Waste Rates Survey of the San Diego Region - July 2010," which was prepared by the City of Chula Vista.
- "Comparison of Refuse Collection Fees within San Diego County," which has been prepared by the IBA for the Citizens' Revenue Review and Economic Competitiveness Commission

Within the "Comparison of Refuse Collection Fees within San Diego County," amounts in the comparison rate and storm water fee columns are taken from the "Solid Waste Rates Survey of the San Diego Region - July 2010." The difference column is calculated based on those rates.

There are many variables in service levels and costs charged, making this type of comparison difficult. For example, some cities may provide for periodic bulk item curb collections, and/or collections for motor oil and e-waste. Other cities may not provide any of these services.

Cities may or may not provide all collections containers (trash, recycling, and greenery) as part of the regular collections fees. For any collections services that do not include containers within the collections rate, customers would pay a separate amount for the cost for these containers.

Because these differences in services exist, the City of Chula Vista has represented that the chart provided is a rate survey only; it is not intended to be a services benchmark.

## Appendix K

Additionally, the City of San Diego provides weekly trash collection, but only provides recycling and greenery collections every other week. The other cities included in the San Diego County survey provide weekly collections for all three collections services.

Because the City of San Diego provides only biweekly recycling and greenery services, the "Comparison of Refuse Collection Fees within San Diego County" provided by the IBA, has two lines dedicated to the City of San Diego – "San Diego - 'Base Rate'" and the "San Diego - 'Twice the Cost for Recycling/Greenery.'"

The costs included in the "San Diego - 'Twice the Cost for Recycle/Greenery'" line contains twice the budgeted costs for recycling and greenery, in an attempt to compare the costs as if recycling and greenery were picked up every week, instead of bi-weekly. These figures are not an accurate measure of what the true cost would be, but are provided for comparative purposes in the absence of better information. Actual costs would likely not be doubled.

Also, it should be noted that the City of San Diego rates are based on FY10 budget amounts for collections services costs, as no cost of service study has been done to determine an accurate rate. Centralized costs for the Environmental Services Department and City-wide costs have not been included in the estimated rate determination, nor has the estimated savings based on the recent 4/10/5 work schedule/service delivery reorganization.

The "San Diego - 'Base Rate'" line assumes all three collections services are provided to a customer and is based on the FY10 budget amounts for collections services costs:

- Trash - \$34.0 million; 305,000 customers; \$9.29 estimated monthly fee.
- Recycling - \$8.7 million; 257,000 customers; \$2.82 estimated monthly fee.
- Greenery - \$7.0 million; 191,000 customers; \$3.05 estimated monthly fee.

The "San Diego - 'Twice the Cost for Recycle/Greenery'" line uses the same FY10 information, only the cost for recycling and greenery collections is doubled, as explained above:

- Trash - \$34.0 million; 305,000 customers; \$9.29 estimated monthly fee.
- Recycling - \$17.4 million; 257,000 customers; \$5.64 estimated monthly fee.
- Greenery - \$14.0 million; 191,000 customers; \$6.10 estimated monthly fee.

### Attachments:

"Solid Waste Rates Survey of the San Diego Region - July 2010," which was prepared by the City of Chula Vista.

"Comparison of Refuse Collection Fees within San Diego County," which has been prepared by the IBA for the Citizens' Revenue Review and Economic Competitiveness Commission

Solid Waste Rates Survey of the San Diego Region July 2010

Appendix K

9/9/2010  
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City	Residential - Single Family Rate Per Month							= 2010-11 Adjusted Rates (City Fees Removed)
	2008-10 Rates	Comparison Rate is middle rate or majority service level if no middle rate.	2010-11 Rates	Comparison Rate is middle rate or majority service level if no middle rate.	(-)Minus Admin/Other Fee	(-)Minus Franchise Fee	(-)Minus AB 939 Fee	
Carlsbad	\$18.87 \$13.01 - 32 gal \$16.86 - 64 gal \$19.83 - 96 gal 17.67	\$ 18.87	\$18.87 \$13.01 - 32 gal \$16.86 - 64 gal \$19.83 - 96 gal 17.67	\$ 18.87	3.46 stormwater .12 admin	\$ 1.06	.28 Ab 939 fee	\$ 13.95
Chula Vista						8.0%	5.00%	\$ 14.67
Coronado								\$ 16.66
County								
Del Mar	\$18.91	\$ 18.91	\$18.91	\$ 18.91			\$0.02/ton to be used for countywide AB 939 programs including CWMWP, Siting Element and Summary Plan	\$ 17.02
El Cajon	\$20.38	\$ 20.38	\$20.38	\$ 20.38	\$0.50	15.0%		\$ 16.90
Encinitas	12.29-35 gal 18.44-95 gal	\$ 18.44	12.29-35 gal 18.44-95 gal	\$ 18.44			R: \$0.21 per residence; C: varies based upon frequency of service	\$ 17.32
Escondido	\$17.91	\$ 17.91	\$17.91	\$ 17.91	.52 HHW Fee	\$ 1.72	21c per single family residence/month	\$ 15.46
Imperial Beach	22.62 - 35 gal 23.32 - 64 gal 24.11 - 95 gal	\$ 23.32	24.74 - 35 gal 25.51 - 64 gal 26.37 - 95 gal	\$ 25.51		36.0%		\$ 16.33
La Mesa	\$18.42	\$ 18.42	\$18.42	\$ 18.42	\$0.11 HHW Fee	4.0%	R: \$0.62; C: \$4.12	\$ 16.98
Lemon Grove	17.93 standard 14.35 Sr. rate 2.79 silver bag	\$ 17.93	17.93 standard 14.35 Sr. rate 2.79 silver bag	\$ 17.93		10.0%	R: \$0.19; C: \$0.60	\$ 15.97
National City	\$16.64	\$ 16.64	\$16.64	\$ 16.64		9.0%	Not separately stated	\$ 15.14
Oceanside	\$23.21	\$ 23.21	\$23.21	\$ 23.21	\$.64 stormwater fee \$1.59 Service fee 3.77 City Fee	5% for roll-offs		\$ 17.21
Poway	14.73, 23.38	\$ 23.38	14.78, 23.52	\$ 23.52	1.34, 3.65	10.0%	1.20 residential	\$ 16.80
San Diego					\$8/ton refuse collector business tax (applied to all non-franchise users of the landfill)	\$15-16/ton	\$10/ton	
San Marcos	N/A \$19.65	\$ 19.65	N/A \$20.39	N/A \$ 20.39	2.18 Storm water	8.0%	\$0.53	\$ 16.27
Santee	\$19.14	\$ 19.14	\$19.14	\$ 19.14		10.8%	\$3.33/month (paid quarterly by WMM)	\$ 17.07
Solana Beach	\$21.43	\$ 21.43	\$21.43	\$ 21.43	\$1.82 NPDES	7.5%		\$ 18.14
Vista	\$18.61	\$ 18.61	\$18.91	\$ 18.91		6.5%	R: \$0.07/month; C: \$0.63/month on a 3yd bin	\$ 17.62
Adjusted Mean A	Mean Average	\$ 19.46	Mean Average	\$ 19.66	Adjusted Mean Average			\$ 16.44

TAC Waste rates survey 2010 Final (3).xlsResidential  
This is a rate survey only, it is not intended to be a services benchmark.

# Appendix K

## CITIZENS' REVENUE REVIEW AND ECONOMIC COMPETITIVENESS COMMISSION

Comparison of Refuse Collection Fees within San Diego County

THURSDAY September 9, 2010

Residential - Single Family Rate Per Month			
City	Comparison Rate: is middle rate or majority service level if no middle rate ¹	(-)Minus Stormwater Fee ¹	Difference
Carlsbad	\$ 18.87	\$ 3.46	\$ 15.41
Chula Vista	\$ 16.86	\$ -	\$ 16.86
Coronado	\$ 17.67	\$ -	\$ 17.67
Del Mar	\$ 18.91	\$ -	\$ 18.91
El Cajon	\$ 20.38	\$ -	\$ 20.38
Encinitas	\$ 18.44	\$ -	\$ 18.44
Escondido	\$ 17.91	\$ -	\$ 17.91
Imperial Beach	\$ 25.51	\$ -	\$ 25.51
La Mesa	\$ 18.42	\$ -	\$ 18.42
Lemon Grove	\$ 17.93	\$ -	\$ 17.93
National City	\$ 16.64	\$ -	\$ 16.64
Oceanside	\$ 23.21	\$ 0.64	\$ 22.57
Poway	\$ 23.52	\$ 3.65	\$ 19.87
San Diego - "Base Rate" ²	\$ 15.16	\$ -	\$ 15.16
San Diego - Twice the Cost for Recycling/Greenery ³	\$ 21.03		\$ 21.03
San Marcos	\$ 20.39	\$ 2.18	\$ 18.21
Santee	\$ 19.14	\$ -	\$ 19.14
Solana Beach	\$ 21.43	\$ 1.82	\$ 19.61
Vista	\$ 18.91	\$ -	\$ 18.91
<b>Adjusted Mean Average</b>	<b>\$ 19.49</b>		<b>\$ 18.87</b>

This is a rate survey only, it is not intended to be a services benchmark.

### NOTES:

¹The amounts in the comparison rate and stormwater fee columns are taken from the "Solid Waste Rates Survey of the San Diego Region - July 2010," which was prepared by the City of Chula Vista.

²The "San Diego - 'Base Rate'" line assumes all three collections services are provided to a customer and is based on the FY10 budget amounts for collections services costs:

Trash - \$34.0 million; 305,000 customers; \$9.29 estimated monthly fee.

Recycling - \$8.7 million; 257,000 customers; \$2.82 estimated monthly fee.

Greenery - \$7.0 million; 191,000 customers; \$3.05 estimated monthly fee.

³The "San Diego - 'Twice the Cost for Recycling/Greenery'" line uses the same FY10 information, only the cost for recycling and greenery collections is doubled:

Trash - \$34.0 million; 305,000 customers; \$9.29 estimated monthly fee.

Recycling - \$17.4 million; 257,000 customers; \$5.64 estimated monthly fee.

Greenery - \$14.0 million; 191,000 customers; \$6.10 estimated monthly fee.

It is unlikely that the cost for recycling and greenery collections would double if collections were increased from biweekly to weekly. The doubling of costs is presented for comparative purposes only.





## Audit Report

March 2010

# Citywide Revenue

Most Major Revenues  
Are Audited; However,  
The City Can Do More  
To Ensure Accurate  
Receipt



THE CITY OF SAN DIEGO

March 5, 2010

Honorable Mayor, City Council, Budget & Finance Committee, and Citizens Revenue Review and Economic Competitiveness Commission Members  
City of San Diego, California

Transmitted herewith is the Citywide Revenue Audit Report. This audit found that while most major revenues are audited, the City can do more to ensure accurate receipt. This report is in accordance with City Charter Section 39.2. While we intended to include a management response in the Citywide Revenue Audit report, we did not receive the response from management as of this date. However, we held an exit conference with the Mayor's administration to discuss the findings of the report. These officials were in general agreement with the report and its findings, with some exceptions. We have incorporated the technical information the officials provided during the exit conference where appropriate. Management will release its response on Monday March 8, within the 30 days specified in their internal controls process narrative.

If you need any further information please let me know. We would like to thank the multiple departments involved and their staff for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff responsible for this report are Farhat Popal, Danielle Knighten, and Kyle Elser.

Respectfully submitted,

Eduardo Luna  
City Auditor

cc: Jay M. Goldstone, Chief Operating Officer  
Wally Hill, Assistant Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Nader Tirandazi, Financial Management Department Director  
Gail Granewich, City Treasurer  
Ken Whitfield, City Comptroller  
Patti Boekamp, Engineering & Capital Projects Department Director  
Jim Barwick, Real Estate Assets Department Director  
Andrea Tevlin, Independent Budget Analyst  
Jan Goldsmith, City Attorney



**Table 2: Auditing of Major Citywide Revenue Categories As of December 2009**

Category	Description	FY2010 Budget Amount ⁷	Auditing Authority	Auditing Entity	Last Audited
Property Tax	Tax on property set at 1% of assessed value; change in assessed value cannot exceed 2% per year	\$ 396,818,843	State Controller's Office	State Controller's Office	2006 (report not yet issued)
Sales and Use Tax	Tax assessed as percentage of amount purchased	\$ 210,141,169	State Board of Equalization	State Board of Equalization	Varies by business
Safety Sales Tax	Tax levied at 0.5% of taxable sale for purposes of promoting public safety	\$ 7,057,580	-	-	San Diego County informally verifies allocations
Transient Occupancy Tax	Hotel bed tax imposed on persons staying 30 days or less in hotels, motels, etc.; tax is 10.5% of rent charged by hotel operator	\$ 75,907,285	City of San Diego - City Treasurer's Office	City of San Diego - Revenue Audit Division, City Treasurer's Office	Hotels generally audited every 2-3 years
Business Tax/Rental Unit Tax	Business tax imposed on businesses operating within the city; rental unit tax imposed on anyone conducting, operating, managing or renting residential real estate	\$ 15,556,861	City of San Diego - City Treasurer's Office	City of San Diego - Revenue Audit Division, City Treasurer's Office	Varies
Franchise Fees (includes Refuse Haulers)	Form of rent for use of public streets and roadways	\$ 74,586,929	City of San Diego	City of San Diego - Revenue Audit Division, City Treasurer's Office	Franchises audited every 2-3 years
Leases	Charges levied on leaseholders of city-owned property	\$ 10,840,613	City of San Diego - Office of the Auditor & Comptroller	City of San Diego - Revenue Audit Division, City Treasurer's Office	Percentage leases audited every 2-3 years
Rents/Concessions	Rent charges for use of public property	\$ 33,056,957	City of San Diego - Real Estate Assets Department	City of San Diego - Revenue Audit Division, City Treasurer's Office	Audited as part of lease agreements
Fines, Forfeitures, and Penalties (CA Vehicle Code Violations)	Penalties for violations of the law	\$ 7,693,928	State Controller's Office	State Controller's Office	2006
TransNet	Tax levied at 0.5% of taxable sale for purposes of promoting transportation improvement	\$ 26,299,528	San Diego Association of Governments	Firm hired by San Diego Association of Governments	Annually
Gas Tax	Excise tax levied on gasoline; approximately 63.9 cents/gal. in CA	\$ 24,295,928	California Bureau of State Audits	California Bureau of State Audits	2004-05 (2008-09 currently being audited)
Motor Vehicle License Fee	Tax on ownership of registered vehicle	\$ 3,900,000	California Bureau of State Audits	California Bureau of State Audits	2005

⁷ Figures are mostly FY2010 Adopted Budget amounts; some are taken from prior years' budgets due to changes in accounting. These are noted throughout the report.

## **Objectives, Scope, Methodology**

The objectives of the audit were fourfold:

- (1) To identify all major sources of revenue for the City of San Diego that are not paid directly to the City but rather are distributed to the City through a third-party such as businesses, hotels, the county, State, or other entity;
- (2) To determine which entity is responsible for auditing the various revenue sources;
- (3) To recommend a strategy for auditing revenues for which there is no entity with auditing authority; and
- (4) To evaluate the performance of the Revenue Audit & Appeals Division of the City Treasurer's Office.

While one of the initial objectives of the citywide revenue audit was to evaluate the proposal to move the Revenue Audit & Appeals Division to the Office of the City Auditor, we did not make a recommendation regarding this matter because it is a City management decision to be made by the Mayor and City Council.

The scope of the audit included major revenue received for fiscal years 2007 through 2009, unless otherwise noted.

In order to accomplish our objectives, we performed the following audit procedures:

- Review relevant City, County, State, and regional government publications and interview relevant City, County, State, and regional government staff to gain an understanding of revenue allocations to California cities
- Determine amount of revenue the City receives from each category⁸
- Interview relevant City, County, State, and regional government staff to gain an understanding of major revenue categories within the City of San Diego and auditing procedures for those revenues
- Utilize relevant government codes, Council policies, and sections of the San Diego Municipal Code to determine appropriate auditing authority
- Review audit reports and auditing policies and procedures for revenue categories that are audited by other governmental entities

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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⁸ For most revenue categories, audit staff utilized the City's Simpler Financials management information system to obtain revenue amounts. Revenue balances reflect unaudited figures.

## **Results In Brief**

In FY 2010, the City of San Diego budgeted over \$886 million in major revenues and lease payments. Some of the revenues, such as Transient Occupancy Tax (TOT) and franchise fees are remitted directly to the City; other revenues, such as property tax and sales and use tax are remitted to the City by other governmental entities. We found that the City administration performs basic actions to verify that revenue payments received are accurate, such as auditing the TOT payees or using consultants to monitor sales tax payments. However, the City administration needs to take immediate actions to maximize major revenue collected by developing appropriate partnerships with other government entities, take pro-active and preventative steps to ensure full sales tax and business license payments, and improving revenue audit methodology. By so doing, the City can ensure that it receives all the major revenues that it is entitled to receive.

Appendix L  
(Page 6 of 7)  
**Conclusion**

Of the City's major revenue categories, almost all are reviewed and/or audited by either another governmental entity or the City of San Diego. The twenty-three recommendations listed below are focused on improving City department processes and ensuring that the City of San Diego receives the revenues it is entitled to.

1. Develop a Memorandum of Understanding with the County of San Diego to ensure access to required information allowing the City Treasurer's Revenue Audit Division to review property tax allocations to the City and observe the next State audit of the County.
2. The Financial Management Department should take steps to obtain State audits of County property tax allocations, and review any relevant findings/recommendations for purposes of follow up.
3. The City Treasurer's Office should consider providing business registration information to the County Assessor's office, and inform new businesses registering in the City of San Diego that they may be required to pay unsecured property tax to the County.
4. The City of San Diego should consider streamlining its communication with the County of San Diego's Assessor's Office to ensure the County's possessory interest records are up to date.
5. The City's Financial Management Department should evaluate the benefits of joining the Teeter Plan, and unless there is compelling information to suggest otherwise, take appropriate steps to become part of the Plan.
6. Consider having the City Treasurer's Revenue Audit Division utilize the free audit training offered by MuniServices, LLC to reduce reliance on MuniServices for future sales and use tax audit services.
7. Financial Management should review gross Safety Sales Tax revenues annually in order to verify the accuracy of Safety Sales Tax allocations to the City.
8. Financial Management should annually reconcile Sales Tax Triple-Flip funds received from the County with ERAF shift loss detailed in BOE sales tax reports.
9. The City Comptroller's Office should continue identifying the necessary subprocesses and prepare written policies/procedures for verifying the accuracy of TransNet revenues.
10. In order to verify accurate TransNet allocations, the City of San Diego Streets Division should work with the California Department of Transportation (CalTrans) to ensure accurate miles of road maintained figures.

11. The Office of the City Comptroller should develop written policies/procedures for verifications of gas tax revenues performed by the City.
12. The Office of the City Comptroller should ensure the City is not paying federal gas taxes by verifying that the payments to fuel vendors do not include federal excise tax.
13. The Office of the City Comptroller and Financial Management should develop written policies/procedures for verifications of motor vehicle license fees.
14. The City Treasurer's Office should monitor when court revenue distribution audits are done by the State Controller's Office, and be aware of findings and/or underremittances relevant to the City of San Diego for purposes of follow up.
15. The City Treasurer's Revenue Audit Division should consider performing audits of court-distributed revenues.
16. The Office of the Independent Budget Analyst (IBA) should work in consultation with the Real Estate Assets Department to revise Council Policy 700-10 to clarify who has the appropriate auditing authority.
17. The Real Estate Assets Department should develop written policies/procedures for the verification of lease payments.
18. The Real Estate Assets Department should work with the City Treasurer's Revenue Audit Division to develop an indicator for percentage leases in the Electronic Document Retrieval System (EDRS).
19. The City Treasurer's Revenue Audit Division should include their annual reconciliation of the Division's lease audit database with the Real Estate Assets Department database in their written departmental procedures.
20. The Revenue Audit Division should develop policies/procedures for auditing state video franchises that include (1) procedures for auditing franchisee's methodology of calculating franchise fees, (2) the requirement for the franchisee to provide detailed calculation summaries, and (3) an audit cycle no longer than 4 years.
21. Based on the requirement for hotel operators to maintain records for a period of three years, the Revenue Audit Division should perform audits on a three-year cycle.
22. The Business Tax Compliance Program should develop written policies/procedures for the work it performs.
23. The Business Tax Compliance Program should expand techniques used for ensuring compliance—including utilization of preventative measures such as informal employee audits—and determine an alternative method for ensuring accurate business size designation.